INTELLI CHECK INC
Form 424B1
October 03, 2003

PROSPECTUS

[LOGO]INTELLI-CHECK(R), INC.

1,100,000 Shares of Common Stock
$8.00 per share

We are offering 1,100,000 shares of our common stock. Our common stock trades on the American Stock Exchange under the symbol "IDN". On October 2, 2003 the last reported sale price of our common stock was $8.72 per share.

The net proceeds from this offering are estimated to be $7,740,000 based upon a public offering price of $8.00 per share and after deducting the underwriting discounts and commissions and estimated offering expenses payable by us. We plan to use the net proceeds for general corporate purposes, including purchase of equipment, product development, sales and marketing, consultant fees and working capital.

Please see "Risk Factors" beginning on page 4 to read about certain factors you should consider before buying shares of our common stock.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public offering price:	$8.00	$ 8,800,000
Underwriting discounts and commissions:	$ .64	$ 704,000
Proceeds to Intelli-Check before estimated expenses	$7.36	$ 8,096,000

Proceeds to Intelli-Check of $ 8,096,000 is calculated before estimated offering expenses of $ 356,000 which would result in net proceeds to Intelli-Check of approximately $ 7,740,000. We have granted the underwriter a 45-day option to purchase up to an additional 165,000 shares of common stock to cover over-allotments. The underwriter is offering the shares on a firm commitment basis. The underwriter expects to deliver the shares of common stock to purchasers on October 8, 2003.

We have agreed to sell to the underwriter warrants to purchase up to an additional 110,000 shares of our common stock.

The Shemano Group [LOGO]
This prospectus is dated October 2, 2003

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You should rely only on information contained in or incorporated by reference into this prospectus. We have not authorized anyone to provide you with information different from that contained in or incorporated by reference into this prospectus. We are offering to sell, and seeking offers to buy, shares of our common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of our common stock. Updated information can be obtained as described under "Additional Information and Information Incorporated by Reference."

All references to "we," "us," "our," "Intelli-Check" or "the Company" in this prospectus mean Intelli-Check, Inc.

Intelli-Check and the names of our systems and software are tradenames or trademarks of Intelli-Check. This prospectus also contains trademarks and tradenames of other companies.

PROSPECTUS SUMMARY

You should read the following summary, together with the more detailed information regarding our company and the common stock being sold in this offering, including "Risk Factors" and our financial statements and notes to those statements appearing in this prospectus and incorporated by reference in this prospectus.

Our Company

We have developed and are currently marketing systems and software which incorporate document verification technologies to assist federal, state and local governments, law enforcement agencies, merchants and others in detecting and thus assisting in the prevention of, the use of fraudulent driver licenses and state issued non-driver and military identification cards, all three referred to in this prospectus as identification cards. Our systems and software enable the reading, analyzing and validation of encoded information contained on a majority of identification cards.

The Offering

Common stock offered by us	1,100,000 shares
Common stock to be outstanding after this offering	10,057,739 shares. Our outstanding shares do not include: o 110,000 shares reserved for issuance upon exercise of the underwriter's warrants; o 128,061 shares reserved for conversion of warrants outstanding; o 1,694,866 shares reserved for issuance upon exercise of options granted under our stock option plans, of which 1,273,131 are currently exercisable; o 313,509 shares reserved for issuance upon exercise of options available for future grants under our stock option plans; o 1,064,425 shares reserved for issuance upon exercise of non-plan options granted, of which 741,925 are currently exercisable; o 454,545 shares issuable upon conversion of outstanding preferred stock (subject to adjustment for anti-dilution protection); o 682,470 shares reserved for issuance under a rights offering commenced in March 2001; and o 165,000 shares reserved for issuance in this offering to cover over-allotments, if any, by the underwriters.

Use of proceeds	We intend to use the net proceeds of this offering for general corporate purposes, including purchase of equipment, product development, sales and marketing, consultant fees and working capital.
Risk factors	Investing in our common stock involves a high degree of risk . You should carefully review and consider the disclosure under "Risk Factors" beginning on page 4.
AMEX symbol	IDN

Other Information

We were originally incorporated in New York in October 1994. In August 1999, we changed our state of incorporation to Delaware. Our principal executive offices are located at 246 Crossways Park West, Woodbury, New York 11797. Our telephone number is (516) 992-1900. Our website address is www.intellicheck.com. The information contained in our website is not part of this prospectus.

RISK FACTORS

You should carefully consider the factors described below and other information contained in, or incorporated by reference in, this prospectus before making an investment in our common stock. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us, may also impair our business operations. If any of the following risks actually occurs, our business, financial condition or results of operations could be materially and adversely affected. In such case, the trading price of our common stock could decline, and you may lose all or part of your investment. You should also refer to other information set forth in this prospectus, or incorporated by reference herein, including our financial statements and the related notes.

Risks Related to Our Business and Industry

We have incurred losses since inception and losses may continue, which could result in a decline in the value of our securities and a loss of your investment.

We sustained net losses of $5,550,234 and $4,070,239 for the fiscal year ended December 31, 2002 and six months ended June 30, 2003, respectively. We expect to incur additional expenditures in line with the sales growth of our business. We cannot assure you that we will achieve operating profits in the future.

We may be unable to meet our future capital requirements.

Our capital requirements have been and will continue to be significant. We anticipate that the proceeds from this offering, together with our currently available cash, will be sufficient to meet our anticipated working capital and capital expenditure requirements for at least 18 months following the date of this prospectus. Should we be unsuccessful in completing this offering, we would be required to raise additional capital within 12 months. In the event we are unable to raise additional capital, we plan to implement cost saving measures to sustain business activities on a reduced level. Unplanned acquisition and development opportunities and other contingencies may arise, which could require us to raise additional capital. If we raise additional capital through the sale of equity, including preferred stock, or convertible debt securities, the percentage ownership of our then existing stockholders will be diluted.

We currently do not have a credit facility or any commitments for additional financing. We cannot be certain that additional financing, should it be needed, will be available when and to the extent required. If adequate funds are not available on acceptable terms, we may be unable to fund our expansion, develop or enhance our products or respond to competitive pressures. Such limitation could have a material adverse effect on our business, financial condition and results of operations.

For those markets which require hardware platforms, we rely on third party equipment manufacturers to provide hardware platforms, and we are currently lacking a relationship with a manufacturer for our next generation hardware platform.

We are substantially dependent on the ability of a manufacturer to provide an adequate supply of our IDC-1400 and next generation hardware platforms on a timely basis and on favorable terms. The current supplier of our IDC-1400 hardware platform for our ID-Check(R) System is Hand Held Products Inc., or HHP, formerly known as Welch Allyn, Inc. In the event that we do not purchase the remaining units under our current open purchase order, HHP has advised us that they will cease production of the IDC-1400 in August 2003. However, we are currently in further discussions with HHP to extend this. We are currently in discussions with HHP and other hardware manufacturers regarding the production of the next generation hardware platform, which we will use as our new ID-Check platform. Any disruption in establishing our arrangements with a manufacturer or unsatisfactory performance by a manufacturer could have an adverse effect on our operations.

We may not be able to keep up with rapid technological change. Advances in hardware technology before we sell our existing inventory could cause us to take an adjustment against inventory.

Our market is characterized by frequent new product announcements and rapid advancements in hardware technology. Significant technological change could render our existing technology obsolete. If we are unable to successfully respond to these developments or do not respond in a cost-effective way, our business, financial condition and results of operations will be materially adversely affected. Furthermore, our inventory consists primarily of ID-Check System terminals that run our patented software on the IDC-1400 hardware platform. We periodically evaluate the current market value of our inventory, taking into account any technological obsolescence that may occur due to advances in hardware technology and the acceptance of the product in the marketplace. We determined that an inventory reserve of $800,000 was an appropriate adjustment to our results of operations for the period ended June 30, 2003. Should we determine in a future period that an adjustment to market value of the inventory is necessary, we would record such adjustment at that time, which could have a material adverse effect on our results of operations.

Our proprietary software relies on reference data provided by government and quasi-government agencies. If these governmental and quasi-government agencies were to stop sharing data with us, the utility of our proprietary software would be diminished in those jurisdictions and our business would be damaged.

Currently, 46 states, 7 Canadian provinces and the District of Columbia which conform to the guidelines established by certain organizations responsible for implementing industry standards cooperate with us by providing sample identification cards so that we may modify the ID-Check System terminal and other software products to read and analyze the encoded information found on identification cards. We cannot assure you that each of these jurisdictions will continue to cooperate with us. In the event that one or more of these jurisdictions do not continue to provide this reference data, the utility of our proprietary software may be diminished in those jurisdictions.

Future government regulation restricting the capture of information electronically stored on identification cards could adversely affect our business.

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Our proprietary software products are designed to read and capture information from identification cards. Currently, those customers located in New Hampshire, North Carolina and Texas are legally restricted from using this information for their own use without customer consent. Because issues of personal privacy continue to be a major topic of public policy debate, it is possible that in the future additional customers in these and other jurisdictions may be restricted from capturing this information. Therefore, the implementation of unfavorable regulations or unfavorable interpretations of existing regulations by courts or regulatory bodies could require us to incur significant compliance costs, cause the development of the affected markets to become impractical and otherwise adversely affect our business, financial condition and results of operations.

Our refocused business strategy exposes us to long sales and implementation cycles for our products.

Our target customers in the commercial fraud protection, access control and age verification markets include large retailers and government agencies, which typically require longer sales and implementation cycles for our products than do our potential customer base solely interested in age verification, such as restaurant, bar and convenience store operators. The longer sales and implementation cycles for larger retail companies continue to have an adverse impact on the timing of realizing our revenues. In addition, budgetary constraints and economic slowdowns may also continue to delay purchasing decisions by these prospective customers. These initiatives have costs associated with them, and we cannot assure you that they ultimately will prove successful or result in an increase to our revenues or profitability.

In addition, the loss or significant reduction in government spending by government entities could materially limit our ability to obtain government contracts. These limitations, if significant, could also have a material adverse effect on our business, financial condition and results of operations. In addition, we will need to develop additional strategic relationships with large government contractors in order to successfully compete for government contracts. Our inability to develop these strategic relationships may limit our ability to implement our business strategy.

The market for our systems and software is evolving and its growth is uncertain.

Demand and market acceptance for recently introduced and existing systems and software, and sales from such systems and software, are subject to a high level of uncertainty and risk. Our business may suffer if the market develops more slowly than anticipated and does not sustain market acceptance.

Failure to manage our operations if they expand could impair our future growth.

If we are able to expand our operations, particularly through multiple sales to large retailers and government agencies in the document verification market, the expansion will place significant strain on our management, financial controls, operating systems, personnel and other resources. Our ability to manage future growth, should it occur, will depend to a large extent upon several factors, including our ability to do the following:

- build and train our sales force;
- establish and maintain relationships with distributors;
- develop customer support systems;
- develop expanded internal management and financial controls adequate to keep pace with growth in personnel and sales, if they occur; and
- manage the use of third-party manufacturers and suppliers.

If we are able to grow our business but do not manage our growth successfully, we may experience increased operating expenses, loss of customers, distributors or suppliers and declining or slowed growth of revenues.

We are subject to risks associated with product failure and technological flaws.

Products as complex as those offered by us may contain undetected errors or result in failures when first introduced or when new versions are released. Despite vigorous product testing efforts and testing by current and potential customers, it is possible that errors will be found in a new product or enhancement after commencement of commercial shipments. The occurrence of product defects or errors could result in adverse publicity, delay in product introduction, diversion of resources to remedy defects, loss of or a delay in market acceptance or claims by customers against us, or could cause us to incur additional costs, any of which could adversely affect our business.

Our failure to protect our proprietary technology may impair our competitive position.

We continue to allocate significant resources to develop new and innovative technologies which we utilize in our products and systems. We consider such allocation to be fundamental to our continued success as such success depends, to a significant degree, upon our ability to provide products and systems that provide superior functionality and performance compared to those of our competitors. Accordingly, we must protect our technology from unauthorized use. This is done by processes aimed at identifying and seeking appropriate protection for newly developed intellectual property, i.e., patents, trade secrets, copyrights and trademarks, as well as policies aimed at identifying unauthorized use of such property in the marketplace. These processes include:

- contractual arrangements providing for non-disclosure of proprietary information;

- maintaining and enforcing issued patents and filing patent applications on innovative solutions to commercially important problems;

- protecting our trade secrets;

- protecting our copyrights and trademarks by registration and other appropriate means;

- establishing internal processes for identifying and appropriately protecting new and innovative technologies; and

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- establishing practices for identifying unauthorized use of our intellectual property.

While we actively protect our intellectual property, it does not follow that others will not intentionally or innocently use such intellectual property. Accordingly, at times we may be required to bring legal proceedings to preclude such unauthorized use. We are mindful that such measures can be costly and timing consuming and we undertake such measures only as a last resort.

These polices and practices with respect to our intellectual property rights do not prevent our competitors from independently developing products similar or superior to our products and technologies. It merely protects our property rights - rights created as a result of our allocating significant portions of our technical and monetary resources. Further, an inability or failure to protect this property could have a material adverse effect on our future business and financial condition.

If our future products incorporate technologies that infringe the proprietary rights of third parties, and we do not secure licenses from them, we could be liable for substantial damages.

We are not aware that our current products infringe the intellectual property rights of any third parties. We also are not aware of any third party intellectual property rights that may hamper our ability to provide future products and services. However, we recognize that the development of our services or products may require that we acquire intellectual property licenses from third parties so as to avoid infringement of those parties' intellectual property rights. These licenses may not be available at all or may only be available on terms that are not commercially reasonable. We recognize that third parties could make infringement claims against us which, whether or not they are upheld, could have a negative impact on our business and financial condition, by:

- consuming substantial time and financial resources;

- diverting the attention of management from growing our business and managing operations; and

- disrupting product sales and shipments.

If any third party prevails in an action against us for infringement of its proprietary rights, we could be required to pay damages and either enter into costly licensing arrangements or redesign our products so as to exclude any infringing use. As a result, we would incur substantial costs, delays in product development, sales and shipments, our revenues may decline substantially and we may not be able to achieve the minimum, necessary growth for our continued success.

Failure to attract and retain management and other personnel may damage our operations and financial results and cause our stock price to decline.

We depend to a significant degree on the skills, experience and efforts of our executive officers and other key management, technical, finance, sales and other personnel. Our failure to attract, integrate, motivate and retain existing

or additional personnel could disrupt or otherwise harm our operations and financial results. Although we have employment agreements with each of Frank Mandelbaum, our Chairman and Chief Executive Officer, and Edwin Winiarz, our Senior Vice President - Treasurer and Chief Financial Officer, securing their employment until December 31, 2004, we do not carry key man life insurance policies covering any employees. The loss of services of certain of our key employees, an inability to attract or retain qualified personnel in the future, or delays in hiring additional personnel could delay the development of our business and could have a material adverse effect on our business, financial condition and results of operations.

Changes in accounting standards or our accounting policy relating to stock-based compensation may negatively affect our operating results.

We currently are not required to record stock-based compensation charges if the employee's stock option exercise price equals or exceeds the deemed fair value of our common stock at the date of grant and the award has not been modified. However, several companies have recently elected to change their accounting policies and begun to record the fair value of stock options as an expense. In addition, we understand that discussions of potential changes to applicable accounting standards are ongoing. If the standards for accounting for stock-based compensation change, or if we elect to change our accounting policy, then the amount of our operating expenses could increase and our operating results could be adversely affected.

Risks Related to the Offering

Our share price may be volatile and could decline substantially

The market price of our common stock, like the price of shares of technology companies generally, has been and may continue to be volatile. From January 1, 2002 to July 31, 2003, the closing bid price of our common stock has varied from a high of $19.45 to a low of $2.10 per share, as reported on the American Stock Exchange. Many factors may cause the market price for our common stock to decline following this offering, including:

- shortfalls in revenues, cash flows or continued losses from operations;
- conversions of preferred stock into common stock;
- delays in development or roll-out of any of our products;
- announcements by one or more competitors of new product acquisitions or technological innovations; and
- unfavorable outcomes from outstanding litigation.

In addition, the stock market experiences extreme fluctuations in price and volume that particularly affect the market prices of shares of emerging technology companies, such as ours. These price and volume fluctuations are often unrelated or disproportionate to the operating performance of the affected

companies. Because of this volatility, we may fail to meet the expectations of our shareholders or of securities analysts, and our stock price could decline as a result. Declines in our stock price for any reason, as well as broad-based market fluctuations or fluctuations related to our financial results or other developments, may adversely affect your ability to sell your shares at a price equal to or above the price at which you purchased them. Decreases in the price of our common stock may also lead to de-listing of our common stock.

Future sales of a large number of shares of our common stock may cause our stock price to decline.

At August 5, 2003, 8,957,739 shares of our common stock were issued and outstanding. Upon completion of this offering and assuming the conversion of all of the shares of our Series A Preferred Stock and exercise of all outstanding warrants and exercisable options but not including the exercise of any rights outstanding that were declared as dividends to stockholders in March 2001, there would be 12,655,401 shares issued and outstanding. Of these shares, 7,465,571 shares are presently eligible for resale without restriction, and all 1,100,000 shares being registered under this prospectus will be transferable without restriction under the Securities Act of 1933, as amended, after the effective date of the registration statement of which this prospectus is a part. Another 1,492,168 shares are eligible for resale subject to the restrictions on volume, manner of sale and other conditions of Rule 144 promulgated under the Securities Act of 1933, as amended. Sales of large amounts of these shares in the public market could depress the market price of our common stock and impair our ability to raise capital through offerings of our equity securities.

Risks Related to Arthur Andersen LLP

The absence of Arthur Andersen LLP's consent to the use of its opinion may limit the remedies available to purchasers of securities pursuant to this prospectus.

Our inability to obtain Arthur Andersen LLP's consent to the use of its opinion for our financial statements for the 2001 year and the absence of a signed opinion may limit the remedies available to you since your claims against Arthur Andersen LLP under the Securities Act of 1933, as amended, based on these financial statements may be limited. Moreover, even if claims against Arthur Andersen LLP are permitted, Arthur Andersen LLP may not have the financial resources to satisfy any judgment. In addition, notwithstanding that we have not filed the written consent of Arthur Andersen, LLP, our directors and officers may still be able to establish a due diligence defense to any claim relating to those financial statements on the basis that they were made on the authority of our expert which could limit your ability to assert a claim against them.

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. We intend the forward-looking statements to be covered by the safe harbor provisions for forward-looking statements in these sections. All statements regarding our expected financial position and operating results, our business strategy and our plans are

forward-looking statements. These statements can sometimes be identified by our use of words such as "may," "anticipate," "expect," "intend," "estimate" or similar expressions. Our expectations in any forward-looking statements may not turn out to be correct. Our actual results could be materially different from those discussed in or implied by these statements, and you may consider these differences important to your investment decision. Important factors that could cause our actual results to be materially different include those discussed under "Risk Factors." You should not place undue reliance on the forward-looking statements, which speak only as of the date the statements were made.

We believe it is important to communicate our expectations to our investors. However, there may be events in the future that we are not able to predict accurately or over which we have no control. The risk factors described in the preceding pages, as well as any cautionary language in this prospectus, provide examples of risks, uncertainties and events that may cause our actual results to differ materially from the expectations we describe in our forward-looking statements. Before you invest in our common stock, you should be aware that the occurrence of the events described in these risk factors and elsewhere in this prospectus could materially and adversely affect our business, operating results and financial condition.

THE COMPANY

General

We have developed and are currently marketing an advanced document verification system to enable a user to detect altered and tampered identification cards and to address problems such as:

Commercial Fraud - which may lead to economic losses to merchants from check cashing, debit and credit card and other types of fraud such as identity theft which principally utilizes fraudulent identification cards as proof of identity;

Unauthorized Access - by verifying identification, our systems and software are designed to increase security and deter terrorism at airports, shipping ports, rail and bus terminals, military installations, high profile buildings and infrastructure where security is a concern; and

Underage Access to Age Restricted Products and Services - by verifying identification, our systems and software are designed to determine the customer's age and validity of the identification card to detect and prevent the use of fraudulent identification for the purchase of alcohol, tobacco and other age-restricted products and services and to reduce the risk to the retailer of substantial monetary fines, criminal penalties and the potential for license revocation for the sale of age-restricted products to minors.

Our Products and Services

Our advanced document verification technology contained in our ID-Check unit reads in one swipe or scan the encoded data contained on U.S. and Canadian identification cards that, in most instances, comply with the standards of the American Association of Motor Vehicle Administrators (AAMVA), the American National Standards Institute (ANSI) and the International Standards Organization (ISO).

The product we have designed and developed, the IDC-1400, is based on our patented ID-Check (TM) technology. Our recently introduced product, IDN-DLL, is a software only application which can be used with a customer's existing hardware, or with minimal additional hardware components, included in Point-Of-Sale (POS) terminals for multi-lane retailers such as grocery and mass-retail stores. Currently, we have entered into six (6) license agreements executed with third parties for integration and sub-licensing of this application.

We believe the ID-Check solution is the most advanced, reliable and effective technology, which provides users with an easy, reliable, and cost-effective method of document and age verification. We have received encoding formats from most jurisdictions that conform to AAMVA standards. This information, combined with our patented technology, enables our ID-Check software to read, decode and process the information electronically stored on

identification cards. As jurisdictions make changes to their identification cards, we believe our software, together with our programmable terminal, can be adapted to these changes.

Our C-Link software works in conjunction with the ID-Check terminal where permitted by law. It allows the user to instantly view data for further verification and archives it into a personal computer. C-Link can be used on a stand alone personal computer or network environment. It contains features such as alerts, watch lists, and recurring entry.

ID-Check terminals do not require a connection to a central database to operate, thus negating privacy concerns. Our terminals have the ability to operate add-on peripherals such as printers, bar code scanners, fingerprint readers and other devices. Additionally, our terminals can communicate with personal computers, which could enhance the functionality of the terminals and potentially create the opportunity for sales of other software products by us.

The ID-Check process is quick, simple and easy to use. After matching the photograph on the identification card to the person presenting the document for identification, the user simply swipes the identification card through the ID-Check terminal if the card has a magnetic stripe or scans it if it has a bar code. The terminal quickly determines if the document:

- is valid;
- has been altered or tampered with;
- has expired; or
- has a date of birth equal to or greater than the legal age to purchase age restricted products, such as alcohol and tobacco, in the retailer's location.

Then, the terminal will automatically:

- respond to the user by displaying the results in words on the terminal's screen;
- save information that is permissible by law to the terminal's own memory;
- print a record of the transaction including the results on a roll of paper similar to that used in cash registers, if an optional printer has been installed; and
- send the results to a personal computer which has Microsoft Windows 95/98/ME/NT/2000/XP for permanent storage when used in conjunction with our software, which simplifies record keeping by downloading comprehensive ID-Check due diligence data into a personal computer. This provides a merchant with secure back-up files that include individual and cumulative transaction records, where permitted by law.

Strategy

Our objective is to be a leading provider of identity verification technology systems and software in the age verification, commercial fraud protection and access control markets. Key elements of our strategy are as follows:

Expand Marketing Relationships with Trade Associations and Public Interest Groups. We have entered into marketing agreements with The American Association of Airport Executives (AAAE), the largest professional organization for airports in the world, Credit Union National Association (CUNA), the premier trade association for credit unions, and Mothers Against Drunk Driving (MADD), one of the highest profile public interest groups, to market our systems and software to their members. We intend to continue to expand our relationships with trade associations and public interest groups that can help expand our customer base.

Develop Additional Strategic Alliances with Providers of Security Solutions. We have entered into strategic alliances with Bioscrypt Inc., Identix Corporation, Ultra-Scan Inc., biometric companies; E-Certify, an information security company; Lenel Systems International, a provider of integrated security solutions; and Northrop Grumman Mission Systems, an integrator in the defense industry, to utilize our systems and software as the proposed or potential enrollment application for their technologies and to jointly market these security applications. We believe these relationships have broadened our marketing reach through their sales efforts and we intend to develop additional strategic alliances with additional providers of security solutions.

Strengthen Sales and Marketing Efforts. We intend to capitalize on the growth in demand for age and document verification by continuing to market and support our systems and software. We have recently re-organized our sales and marketing staff to better reach our targeted markets by dividing the United States territory into three regions covered by a regional sales manager and by appointing a director of strategic business development to concentrate on developing partnerships and licensing arrangements, and a director of corporate and government sales to concentrate on major commercial and government accounts.

Enter into Additional Licensing Agreements. We intend to continue to license our software for use with a customer's system. We are currently licensing our IDN-DLL and C-Link software products for Windows and Windows CE platforms. Our software is intended to be used with a compatible hardware input device. We have entered into six (6) licensing agreements to date.

Protect Intellectual Property. We intend to strongly protect our intellectual property portfolio in order to preserve value and obtain favorable settlements where warranted. For example, in February 2003, we filed suit against CardCom, Inc. d/b/a CardCom Technology, Inc. claiming that CardCom had infringed one of our patents. Subsequently, we entered into a patent licensing agreement with CardCom effective March 2003 which provides for a non-exclusive three year license in connection with the manufacture, use and sale of CardCom's age verification products in the United States and Canada. We also recently filed a patent infringement lawsuit against Tricom Card Technologies, Inc. in July 2003.

Our Revenue Sources

We derive our revenue from the following sources:

- Sales of our systems by our own direct sales force and marketing partners;
- Royalties and licensing fees from licensing our patented technology to third parties;
- Revenue sharing and marketing arrangements through strategic alliances and partnerships; and
- Sale of software upgrades and extended maintenance programs.

Our Target Markets

The target markets of our systems and software include those for Commercial Fraud Protection, Access Control and Age Verification:

- Commercial fraud protection
  - Banks and other financial institutions
  - Credit unions
  - Credit card issuers
  - Check cashing services
  - Pharmacies
  - Auto dealerships and rental car agencies
  - Casino cage operations
  - Mass merchandisers and retailers
  - Hospitals and health plans
  - Lodging Industry
- Access control
  - Airports and airlines
  - Departments of Motor Vehicles
  - Prisons
  - Law enforcement agencies
  - Notable buildings
  - Court houses
  - Nuclear facilities
  - Oil refineries and storage facilities

- Military establishments
- U.S. Post Office
- Department of Homeland Security
- Bus, rail and port facilities

o Age verification market

- Bars and night clubs
- Convenience stores

- Grocery chains
- Restaurants
- Stadiums and arenas
- Casinos and gaming establishments
- Sellers of sexually explicit material
- Firearm dealers

Current Customers

We have generated revenues from our customers from the sale of systems, licensing of software and sale of software upgrades. The following representative customers are using our systems and software for commercial fraud protection:

- MGM Grand
- Caesar's Palace
- Foxwoods Resorts and Casino
- Comerica Bank
- The Cooperative Bank

The following representative customers are using our systems and software for access control:

- JFK Airport in New York, O'Hare International Airport in Chicago and Reagan National Airport in Washington D.C.
- American Stock Exchange
- Fort Sam Houston and Fort Hood
- New York, Vermont and Delaware Department of Motor Vehicles
- Port Authority of New York and New Jersey

The following representative customers are using our systems and software for age verification:

- U.S. Smokeless Tobacco, Co.
- Sunoco
- Darden Restaurants
- Houston's Restaurants
- Anton Airfoods, Inc.

Intellectual Property

In January 1999, the U.S. Patent and Trademark Office granted us a patent on our ID-Check software technology. In October 2002, we were granted another patent relating to our document authentication and age verification technology. At present, we have another patent application pending in the U.S. Patent and Trademark Office. These patents cover commercially important aspects of our capabilities relating to the authentication of a document, such as a driver's license, along with the verification of the age of an individual associated with that document. Upon our acquisition of the assets of IdentiScan, we also received equitable ownership and sole ownership rights to intellectual property,

including other patents and patent applications relating to age verification technology.

We have also been granted multiple copyrights in the United States, which are effective in Canada and in other major industrial countries. In addition, the copyright protection covers software source codes and supporting graphics relating to the operation of ID-Check and other software products. We also have several trademarks relating to our company, its product names and logos.

In connection with the sales or licensing of our intellectual property, we have entered into an agreement with Mr. Kevin Messina, our former Senior Executive President and Chief Technology Officer, under which we will pay royalties equal to 0.005% of gross sales from $2,000,000 to $52,000,000 and 0.0025% of gross sales, in excess of $52,000,000.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the sale of 1,100,000 shares of our common stock in this offering of approximately $7,740,000, based upon a public offering price of $8.00 per share and after deducting the underwriting discount and estimated offering expenses payable by us. If the underwriter's over-allotment option is exercised in full we estimate that net proceeds will be $8,881,400.

We expect to use the net proceeds from this offering for general corporate purposes, including purchase of equipment, product development, sales and marketing, consultant fees and working capital. We intend to purchase equipment for transactions in which we receive a transaction fee for purchasing hardware and bundling it with our software to provide an identity verification product. A portion of the proceeds will be used for product development, which encompasses both hardware and software development. We anticipate using some of the proceeds for sales and marketing and a portion of the proceeds will also be used for consultant fees for government lobbyists. Pending our use of the net proceeds of this offering, we intend to invest the net proceeds in short-term, investment-grade, investment-bearing securities.

The allocation of the net proceeds from this offering set forth above represents our best estimate based upon our currently proposed plans and assumptions relating to our operations and certain assumptions regarding general economic conditions. If any of these factors change, we may find it necessary or advisable to reallocate some of the proceeds within the above-described categories or to use portions for other purposes.

We anticipate that the net proceeds of this offering, together with projected revenues from our operations, will be sufficient to fund our operations and capital requirements for at least 18 months following this offering. We cannot assure you, however, that such funds will not be expended earlier due to unanticipated changes in economic conditions or other circumstances that we cannot foresee. In the event our plans change or our assumptions change or prove to be inaccurate, we could be required to seek additional financing sooner than currently anticipated. We also expect that, when the opportunity arises, we may acquire or invest in complementary businesses, products or technologies. We have no present understandings, commitments or agreements with respect to any material acquisition or investment.

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DILUTION

Dilution represents the difference between the amount per share paid by purchasers of common stock in the offering and the net tangible book value per share of common stock immediately after the offering. Our tangible book value was approximately $592,777 at June 30, 2003, or $.07 per share. After adjusting for the receipt of the net proceeds of the sale of 1,100,000 shares of common stock in the offering at $8.00 per share, the pro forma book value at June 30, 2003 would be approximately $8,332,777, or $.83 per share. As the table below shows, this would represent an immediate dilution of $7.17 per share to investors in the offering, based on the difference between pro forma book value and the offering price.

Offering price per share	$ 8.00
Net tangible book value per share before the offering	$ .07
Increase in net tangible book value per share attributable to the offering	$ .76
Pro forma net tangible book value per share after the offering	$ .83
Dilution to investors in the offering, per share	$ 7.17

The foregoing table excludes 2,579,662 shares of common stock issuable pursuant to currently exercisable outstanding options and warrants and issuable upon conversion of outstanding preferred stock which are expected to be outstanding after the consummation of this offering. If all options, warrants and preferred Stock outstanding as of June 30, 2003, were included above, the pro forma net tangible book value per share at June 30, 2003, after giving effect to this offering, would have been $.66 and the dilution to new investors would have been $7.34.

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DESCRIPTION OF CAPITAL STOCK

Our authorized capital stock consists of 20,000,000 shares of common stock, par value $0.001 per share, and 1,000,000 shares of preferred stock, par value $0.01 per share, of which 30,000 shares are designated as Series A 8%

Convertible Redeemable Preferred Stock. As of August 5, 2003, there were 8,957,739 outstanding shares of common stock, and 30,000 outstanding shares of Series A 8% Convertible Preferred Stock. Below is a summary description of the material provisions of our capital stock.

Common Stock

We are authorized to issue 20,000,000 shares of common stock. All the issued and outstanding shares of common stock are validly issued, fully paid and non-assessable. Each outstanding share of common stock has one vote on all matters requiring a vote of the shareholders. There is no right to cumulative voting. In the event of a voluntary or involuntary liquidation, all shareholders are entitled to a pro rata distribution after payment of liabilities and after provision has been made for each class of stock, having preference over the common stock. The holders of the common stock have no preemptive rights with respect to our offerings of shares of our common stock. Holders of common stock are entitled to dividends if, as and when declared by the Board out of the funds legally available therefor. It is our present intention to retain earnings, if any, for use in our business. Dividends are, therefore, unlikely in the foreseeable future.

Series A 8% Convertible Redeemable Preferred Stock

In March 2003, the Board of Directors adopted a resolution issuing a series of preferred stock, par value $0.01 per share, consisting of 30,000 shares designated as Series A 8% Convertible Redeemable Preferred Stock, convertible, at the option of the holder, into 454,545 shares of common stock based on a conversion price of $6.60 per share. Each holder of Series A 8% Convertible Redeemable Preferred Stock is entitled to the number of votes equal to the number of shares of common stock into which such shares could be converted. The holders of Series A 8% Convertible Redeemable Preferred Stock are entitled to receive dividends at a rate of $8.00 per share per annum, which are fully cumulative, senior and prior to common stock, pari-passu with any additional series of preferred stock which may in the future be issued and designated as ranking equal with the Series A 8% Convertible Redeemable Preferred Stock and junior to any additional series of preferred stock which may in the future be issued and designated as ranking senior to the Series A 8% Convertible Redeemable Preferred Stock. The dividends on the Series A 8% Convertible Redeemable Preferred Stock accrue from the date of issuance of each share and are payable on September 30 and March 31 of each year commencing on September 30, 2003. In addition, holders of the Series A 8% Convertible Redeemable Preferred Stock are entitled to a liquidation value of $100 per share plus an amount equal to the cash value $100 per share of the dividends accrued and unpaid thereon in the event of a liquidation, dissolution or winding up. The company must redeem all of the Convertible Redeemable Preferred Stock outstanding on March 27, 2008 at a redemption price of $100 per share.

UNDERWRITING

Subject to the terms and conditions of the underwriting agreement between us and The Shemano Group, Inc., the underwriter of this offering, a form of which agreement is filed as an exhibit to the registration statement of which this prospectus forms a part, we have agreed to sell to the underwriter, and the underwriter has agreed to purchase all of the 1,100,000 shares of our common stock offered in this offering.

The underwriting agreement is subject to a number of terms and conditions and provides that the underwriter must buy all of the shares if it buys any of them.

The underwriter has advised us that it proposes to offer the shares as set forth on the cover page of this prospectus, which includes the underwriting discounts and commissions indicated there, and that it will initially allow concessions not in excess of $.38 per share, of which not in excess of $.15 per share may be reallowed to other dealers who are members of the NASD. After the public offering, concessions to dealer terms may be changed by the underwriter.

The underwriter has advised us that it does not intend to confirm sales of the shares to any account over which it exercises discretionary authority in an aggregate amount in excess of five (5%) percent of the total securities offered hereby.

We have granted to the underwriter an option which expires 45 days after the date of this prospectus, exercisable as provided in the underwriting agreement, to purchase up to an additional 165,000 shares of our common stock at the public offering price set forth on the cover page of this prospectus, less underwriting discounts and commissions which option may be exercised only for the purpose of covering over-allotments, if any. If the underwriter exercises its over-allotment in full, the total price to the public would be $1,320,000, the total underwriting discounts and commissions would be $105,600, and the total proceeds (before payment of the expenses of this offering) to our company would be $1,214,400.

The underwriting agreement provides that we will reimburse the underwriter for its expenses on a non-accountable basis in the amount equal to 2.5% of the gross proceeds of this offering, of which $30,000 has been paid to date, and the balance of which shall be paid on the closing of this offering. We have also agreed to pay all expenses in connection with qualifying the shares offered under the laws of such states as the underwriter may designate, including expenses of counsel retained for such purposes by the underwriter. We estimate the expenses of this offering to be $356,000, or $429,000 if the underwriter's over-allotment option is completely exercised.

The underwriting agreement provides for reciprocal indemnification between us and the underwriter against certain liabilities in connection with the registration statement, including liabilities under the Securities Act of 1933, as amended.

At the closing of this offering, we will sell to the underwriter or its designees at an aggregate purchase price of $110, warrants to purchase up to an aggregate of 110,000 shares of our common stock. Each warrant represents the right to purchase one share of common stock for a period of four years commencing one year from the effective date of this offering. The exercise price of the warrants is 120% of the price at which our shares of common stock are sold pursuant to this offering. The warrants contain a cashless exercise provision and provisions that protect their holders against dilution by adjustment of the exercise price and number of shares issuable upon exercise on the occurrence of specific events, including stock dividends or other changes in the number of our outstanding shares. No holder of these warrants will possess any rights as a stockholder unless the warrant is exercised. The warrants may not be sold, transferred, assigned or hypothecated for a period of one year from the effective date of this offering, except to officers or partners (but not directors) of the underwriter and members of the selling group and/or their officers or partners. During the exercise period, the holders of the underwriter's warrants will have the opportunity to profit from a rise in the market price of the common stock, which will dilute the interests of our stockholders. We expect that the underwriter's warrants will be exercised when we would, in all likelihood, be able to obtain any capital needed on terms more favorable than those provided by the underwriter's warrants. Any profit realized by the underwriter on the sale of the underwriter's warrants or the underlying shares of common stock may be deemed additional underwriting compensation.

We have agreed to include the underwriter's warrants and the shares of common stock underlying the underwriter's warrants in any appropriate registration statement which is filed by us under the Securities Act of 1933, as amended, during the seven years following the date of this prospectus.

The exercise of the underwriter's over-allotment option will not result in an increase in the number of shares of common stock underlying the underwriter's warrants or in the granting of any additional warrants to the underwriter.

The underwriter may engage in over-allotment, stabilizing transactions, syndicate covering transactions, penalty bids and "passive" market making in accordance with Regulation M under the Securities Exchange Act of 1934, as amended. Over-allotment involves syndicate sales in excess of the offering size, which creates a syndicate short position. Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Syndicate covering transactions involve purchases of the shares of common stock or warrants in the open market after the distribution has been completed in order to cover syndicate short positions. Penalty bids permit the underwriter to reclaim a selling concession from a syndicate member when the shares of common stock or warrants originally sold by such syndicate member are purchased in a syndicate covering transaction to cover syndicate short positions. In "passive" market making, market makers in the securities who are underwriters or prospective underwriters may, subject to certain limitations, make bids for or purchases of the securities until the time, if any, at which a stabilizing bid is made. These stabilizing transactions, syndicate covering transactions and penalty bids may cause the price of the common stock to be higher than they would otherwise be in the absence of these transactions. These transactions may be effected on the AMEX or otherwise and, if commenced, may be discontinued at any time.

In connection with the offering, the underwriter may make short sales of our shares and may purchase our shares on the open market to cover positions created by short sales. Short sales involve the sale by the underwriter of a greater number of shares than they are required to purchase in the offering. "Covered" short sales are sales made in an amount not greater than the underwriter's over-allotment option to purchase additional shares in the offering. The underwriter may close out any covered short position by either exercising its over-allotment option or purchasing shares in the open market. In determining the source of shares to close out the covered short position, the underwriter will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which it may purchase shares through the over-allotment option. "Naked" short sales are sales in excess of the over-allotment option. The underwriter must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriter is concerned that there might be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering. Similar to other purchase transactions, the underwriter's purchases to cover the short sales may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of our common stock. As a result, the price of our common stock may be higher than the price that might otherwise exist in the open market.

Our common stock is listed on the American Stock Exchange under the symbol "IDN". We plan to file an application to have the shares of common stock that we are selling in this public offering listed on the American Stock Exchange.

Howard Davis, Senior Vice President of The Shemano Group, Inc., is a director and securityholder of our company. Mr. Davis beneficially owns approximately 1% of our outstanding common stock on a fully-diluted basis, assuming he exercises all of his outstanding stock options. The Shemano Group, Inc. and its affiliates may provide us with investment banking, financial advisory, or commercial banking services in the future, for which they each may receive customary compensation. There are currently no arrangements or understandings with respect to any investment banking, financial advisory, or commercial banking services to be provided by the underwriter and its affiliates in the future. If any arrangements or understandings are entered into in the future, the details of such would be subject to the mutual agreement of the parties at that time.

LEGAL MATTERS

The validity of the issuance of the securities offered hereby will be passed upon for us by Loeb & Loeb LLP, New York, New York. Certain legal matters in connection with the offering will be passed upon by the underwriter by Blank Rome LLP, New York, New York.

EXPERTS

The financial statements of Intelli-Check, Inc. at December 31, 2002, and for the year then ended, have been audited by Grant Thornton LLP, independent certified public accountants, and at December 31, 2001 and for the years ended December 31, 2001 and December 31, 2000, by Arthur Andersen LLP, independent auditors; as indicated in their reports thereon. These financial statements are incorporated by reference herein and in the Registration Statement, and are included in reliance upon such reports given on the authority of such firms as experts in accounting and auditing. After reasonable efforts, we have been unable to obtain the consent of Arthur Andersen LLP to the incorporation by reference in the Registration Statement of which this prospectus is a part of Arthur Andersen LLP's reports of its audits of our financial statements at December 31, 2001 and for the two years in the period ended December 31, 2001. Under these circumstances, under Rule 437(a) under the Securities Act of 1933, as amended, we may file the Registration Statement without Arthur Andersen LLP's consent. In the absence of Arthur Andersen LLP's consent, persons acquiring shares of our common stock pursuant to this prospectus will be unable to assert a claim against Arthur Andersen LLP under Section 11(a) of the Securities Act of 1933, as amended, in the event of any untrue statement of material fact or any material omission in the financial statements audited by Arthur Andersen LLP or in its reports with respect thereto.

ADDITIONAL INFORMATION AND INFORMATION INCORPORATED BY REFERENCE

We are subject to the informational reporting requirements of the Securities Exchange Act of 1934, as amended, and file reports, proxy statements and other information with the SEC. Our SEC filings are available to the public over the Internet at the SEC's website at http://www.sec.gov. You may also read and copy any document we file with the SEC at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of its Public Reference Room. We incorporate by reference into this prospectus the information contained in the documents listed below that we have filed with the SEC and which is considered to be a part of this prospectus:

-Our annual report on Form 10-K and amended annual report on Form 10-K/A for the year ended December 31, 2002, which contains audited financial statements for the most recent fiscal year for which we have filed audited financial statements;

-Our quarterly reports on Form 10-Q for the quarters ended March 31 and June 30, 2003, as filed with the SEC; and

-Our current reports on Form 8-K dated and filed on the following dates: April 8, 2003, July 2, 2003, August 19, 2003, and August 28, 2003.

This prospectus is accompanied by a copy of our latest annual report on Form 10-K, as amended and latest quarterly report on Form 10-Q. The information in this prospectus should be read together with the information and financial statements (including notes thereto) that appear in the Form 10-K, as amended and the documents delivered with this prospectus. This prospectus incorporates documents by reference that are not delivered with this prospectus. These documents are available without charge, upon written or oral request by any person to whom this prospectus has been delivered, from the Secretary, Intelli-Check, Inc., 246 Crossways Park West, Woodbury, NY 11797, (516) 992-1900 or by e-mail at our website, www.intellicheck.com.

Any statement contained in a document incorporated by reference herein is modified or superceded for all purposes to the extent that a statement contained in this prospectus modifies or replaces such statement.

RECENT DEVELOPMENTS

Certain material developments with respect to us have occurred since the end of the latest fiscal year for which certified financial statements were included in the latest Form 10-K, as amended, Forms 10-Q, and Forms 8-K filed with the SEC on EDGAR and incorporated by reference. A list of such Forms 8-K are set forth above under Additional Information and Information Incorporated by Reference.

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APPENDIX I

FORM 10-K/A
Amendment No. 2
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2002

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934

For the transition period from ________________ to ________________
Commission File No. 001-15465

Intelli-Check, Inc.
(Name of small business issuer as specified in its charter)

Delaware	11-3234779
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
246 Crossways Park West, Woodbury, New York	11797
(address of principal executive offices)	(Zip Code)
Issuer's Telephone number, including area code:	(516) 992-1900

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, $.001 par value

(Title of Class)

Check whether Issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the Issuer was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No
--- ---

Check if disclosure of delinquent filers pursuant to item 405 of Regulation S-B is not contained herein, and will not be contained, to the best of the Registrant's knowledge in definitive proxy or information statements incorporated by reference in Part III of this form 10-K or any amendment to this Form 10-K.

State the aggregate market value of the voting stock held by non-affiliates of the Issuer: $ 31,509,073 (based upon the closing price of Issuer's Common Stock, $.001 par value, as of June 30, 2002).

Indicate the number of shares outstanding of each of the Registrant's classes of common stock, as of the latest practicable date.

Common Stock, $.001 Par Value	8,875,302
(Title of Class)	(No. of Shares Outstanding at March 26, 2003)

DOCUMENTS INCORPORATED BY REFERENCE: NONE

PART I

Item (a) Business

(a) General Development of Business. We were originally incorporated in the state of New York in 1994. In August 1999, we reincorporated in Delaware.

During the period from September 1996 until September 1999, we sold our securities in private placements exempt from registration under the Securities Act of 1933, as amended.

In November 1999, we sold, in an initial public offering, 1,000,000 shares of common stock at an initial offering price of $7.50 per share. The net proceeds that we received from the public offering amounted to approximately $5,915,000.

In December 1999, the underwriter of the initial public offering exercised its over-allotment option to purchase 150,000 common shares from us for $7.50 per share. The net proceeds received by us amounted to approximately $992,000.

In fiscal year 2000, options to acquire 66,000 shares of common stock and warrants to acquire 1,115,084 shares were exercised. The net proceeds received by us from these transactions was $3,426,374.

In fiscal year 2001, options to acquire 166,500 shares of common stock, warrants to acquire 378,084 shares of common stock and rights to acquire 180,198 shares of common stock were exercised. The net proceeds received by us from these transactions was $3,231,174.

In fiscal year 2002, options to acquire 273,700 shares of common stock, warrants to acquire 1,250 shares of common stock and rights to acquire 107,396 shares of common stock were exercised. The net proceeds received by us from these transactions was $1,742,466.

Recent Developments

In March 2001, we declared a dividend distribution of one non-transferable right to purchase one share of our common stock for every ten outstanding shares of common stock continuously held from the record date to the date of exercise. The rights were also distributed to holders of vested stock options and warrants and were originally due to expire on October 4, 2002. At that time, we extended the expiration date until April 4, 2003 and we further extended the expiration date until December 31, 2003.

On March 27, 2003, pursuant to a Securities Purchase Agreement, we sold 30,000 shares of our Series A 8% Convertible Preferred Stock, par value $.01 per share for $3,000,000 before expenses to Gryphon Master Fund, L.P. Each preferred share entitles the holder to receive dividends of 8% per annum and is convertible into 15.1515 shares of our common stock. Additionally, each share of Preferred Stock will receive one (1) 5 year warrant to purchase 3.787875 shares of common stock at a price of $6.78. The total amount of shares that may be issued upon conversion and the exercising of the warrants are 454,545 and 113,636 shares, respectively. Dividend payments of $120,000 are due semi-annually in cash beginning September 30, 2003. In connection with this financing, we paid agent fees of $150,000, plus legal fees estimated to be approximately $55,000. Shares of Preferred Stock will be convertible at the option of Gryphon Master Fund, L.P at any time prior to redemption. We may redeem any or all of the Preferred Shares at any time after one year from the closing date at a cash redemption price of $100 per share, providing the volume weighted average price of our Common Stock for any 20 out of 30 consecutive trading days exceeds $13.20 per share. We must redeem all of the Preferred Stock outstanding on the fifth anniversary of the closing date at a redemption price, in cash, equal to the purchase price of the Preferred Stock.

In addition, we entered into a Registration Rights Agreement with respect to the common stock underlying the Preferred Shares and the warrants pursuant to which we will file a registration statement for the common stock no later than 30 days from the closing date of the sale of the preferred shares.

(b) Business of Issuer

(1) Principal Products

Our company was formed to develop, manufacture and market an advanced document verification system to enable a user to detect altered, tampered or fake IDs to:

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(i) reduce check cashing, credit card and other types of fraud such as identity theft, the fastest growing crime in America, which principally utilizes fake driver licenses as proof of identity;

(ii) increase security and deter terrorism at airports, shipping ports, rail and bus terminals, military installations, high profile buildings and other sites where security is a concern;

(iii) determine the customer's age and validity of the ID to detect and prevent the use of fraudulent identification for the purchase of alcohol, tobacco and other age-restricted products and to reduce the risk to the retailer of substantial monetary fines, criminal penalties and license revocation for the sale of age-restricted products to minors.

Our advanced document verification software, which we have licensed to third parties and is contained in our ID- Check unit (terminal) reads in one swipe or scan the encoded data contained on U.S. and Canadian driver licenses, state issued identification cards and military IDs that comply with the standards of the American Association of Motor Vehicle Administrators (AAMVA), the American National Standards Institute (ANSI) and the International Standards Organization (ISO).

Our terminal or licensed software helps merchants prevent economic loss resulting from identity theft, which is the fastest growing crime in America. The availability of high-tech fake ID's exposes retailers to many forms of fraud utilizing fake ID's, which our unit has the capability of helping to detect.

The terminal or the licensed software are effective tools to enhance security and deter terrorism at airports and other sites where security is increasing. The terminals have been installed in over a dozen major airports to verify the identity of employees and prevent access to secure areas. One major airport recently reordered terminals. Since the tragic events of September 11, 2001, there has been increased interest in our technology to control access and to help deter the threat of terrorism.

Additionally, in an effort to combat the problems of underage drinking and smoking, the federal government and many states and Canadian provinces have enacted laws requiring businesses that sell age-restricted products to verify the ID of potential customers to determine that they are of legal age to purchase these products. These laws impose stringent penalties for violations. In addition, many states and local governments have set up undercover "sting" operations to detect violations.

The product we have designed and developed, the IDC-1400 is based on our patented ID-Check technology. ID-Check provides businesses with a reliable, simple and cost-effective way to reduce economic loss supported by fake or altered driver licenses and to verify age and reduce the risk of severe penalties for non-compliance with laws pertaining to age restricted products. Effective July 9, 2003, our manufacturer will discontinue manufacturing the IDC-1400 terminal and has introduced a new model to replace the existing IDC-1400. We are in discussions with our manufacturer as well as other manufacturers to select a new platform to run our patented software.

On December 18, 2001, we acquired substantially all the assets of The IDentiScan Company, LLC, a provider of age verification terminals. The IDentiScan products are targeted to the age verification market and they have broadened our product line to better penetrate that market. IDentiScan has been selected to be the exclusive provider of age verification terminals to Sunoco, Inc.

Our new product, IDN-DLL, is a software application designed to supplement our existing products by replicating the features of ID-Check using a customer's existing hardware (or with minimal additional hardware components) included in Point-Of-Sale (POS) terminals for multi-lane retailers such as grocery and mass-retail stores. Currently, we have five (5) license agreements executed with third parties for integration and sub-licensing of this application.

Driver license

The driver license is the most widely used form of government issued photo identification. We believe the driver license has become a de facto identification card. In addition to its primary function, the driver license is

used to verify identity for social services, firearm sales, check cashing, credit card use and other applications. There are approximately 228,000,000 driver licenses in circulation in the U.S. and Canada. Our technology can read the data encoded on all licenses that comply with the AAMVA/ANSI/ISO standards, which we believe is over 175,000,000 of those issued at the current time. Currently, forty-six States, the District of Columbia, and seven Canadian Provinces encode their licenses. The number of readable licenses will continue to grow as the remaining four States and six Canadian Provinces that have not yet encoded their license begin to encode and jurisdictions that have recently begun to encode complete their rotations.

Non-driver identification card

Although many people do not have a driver license, many jurisdictions that use American Association of Motor Vehicle Administrators (AAMVA) compliant driver licenses offer other identification cards that may contain encoded information. These identification cards, as well as military ID's, are fundamentally identical to driver licenses. Because driver licenses are the most widely used form of legally acceptable government documentation, we will refer to all these types of legally acceptable governmental identification documents as "driver licenses." Our ID-Check software is equally capable of performing its function with all of these types of government identification.

The use of false identification

The high-tech revolution has created a major problem for those who rely on identification documents. In an age where scanners, computers and color printers are commonplace, fake ID's of the highest quality are easily obtainable from a number of locations including college campuses and from thousands of sites on the Internet. These fakes appear so real, even law enforcement agencies have encountered difficulty distinguishing them from legally issued documents. Additionally, these high-tech devices have the ability to easily alter properly issued ID's. Therefore, anyone can gain access to a false identity that gives them the ability, in a commercial transaction, to present fake and stolen credit cards or checks that are supported by false identification. Additionally, starting with only a fraudulent driver license, an individual may be able to create multiple identities, commit fraud, buy age restricted products such as alcohol and tobacco while underage, evade law enforcement and engage in other criminal activities, such as:

(i) committing identity theft;

(ii) improperly boarding airplanes;

(iii) committing credit card, debit card and check cashing fraud;

(iv) unlawfully obtaining welfare or other government benefits;

(v) committing refund fraud,

(vi) committing pharmacy fraud, including false narcotic prescriptions,

(vii) gaining entrance to high profile buildings and sensitive infrastructures, such as nuclear facilities;

(viii) illegally purchasing firearms;

(ix) purchasing age restricted products such as alcohol and tobacco while under age;

(x) committing employee fraud, including employee theft and payroll theft;

(xi) engaging in medical fraud.

Given the ease with which identification can be falsified, simply looking at a driver license may not be sufficient to verify age or identity and determine whether or not it is fraudulent. Since merchants are facing significant economic losses due to these frauds, what is needed is a document verification system which can accurately read the electronically stored information. We possess a patented software application technology that provides an analysis of all the data contained on these documents by reading and comparing the information encoded on the tracks of the magnetic stripe or bar code on the driver license against known standards.

Underage Use of Alcohol and Tobacco Products and the Need for Age Verification

Overview

Underage access to age-restricted products, like alcohol and tobacco, remains a major societal problem.

(i) According to Connecticut Clearinghouse, approximately 10.6 million or 51.2% of high school students in the United States of America drink alcoholic beverages at least once weekly, with 86% purchasing the alcohol themselves;

(ii) The Office of Drug Control Policy reported that approximately 9.5 million drinkers of alcoholic beverages in 1996 were between the ages of 12 and 20, according to the U.S. Department of Justice Office of Juvenile Justice and Delinquency Prevention;

(iii) The Insurance Institute for Highway Safety has said that, in 1997, 26% of 16-20 year-olds fatally injured in motor vehicle crashes had high blood alcohol concentrations;

(iv) According to the Journal of Adolescent Health, approximately 3,000 minors begin smoking regularly every day;

(v) Join Together Online's Fact Finder reports that underage youths can purchase cigarettes successfully 70%- 80% of the time over the counter and 90%-100% of the time through vending machines; and

(vi) Join Together also reports that each year merchants illegally sell minors 947 million packs of cigarettes and 26 million containers of chewing tobacco worth $1.26 billion;

(vii) A study by the National Center on Addiction and Substance Abuse at Columbia University (CASA) found that 5 million high schoolers binge drink at least once a week. It was also stated in the report that children under 21 drink 25% of the alcohol consumed in the U.S.

To combat this problem, most states have enacted laws which provide for substantial penalties for businesses that sell tobacco and alcohol to minors.

Regulation of retailers of tobacco products

New federal regulations have been enacted that place a greater burden on retailers to prevent the sale of tobacco products to minors. Clerks are required to check the photo ID of anyone trying to purchase tobacco products who appears to be under the age of 27.

Regulation of retailers of alcoholic beverages

The retailer of alcoholic products who sells to an underage person could face potential fines, suspension of its license and the potential outright revocation of its license to sell alcoholic beverages. Additionally, in states where enacted, dram shop laws allow a person who is injured by any obviously intoxicated person to file a claim for relief for fault against any person who knowingly sells alcoholic beverages to a person under 21 years of age.

As a result of law enforcement efforts and regulatory penalties, we believe retailers that sell alcohol and tobacco, such as liquor stores, bars and convenience stores, are facing increasing pressure to accurately verify the age of their customers.

ID-Check Solution and Benefits

We believe the ID-Check solution is the most advanced, reliable and effective technology, which provides users with an easy, reliable, and cost-effective method of document and age verification. We have received encoding formats from most jurisdictions that conform to AAMVA standards. This information, combined with our patented technology, enables the ID-Check software to read, decode and process the information electronically stored on driver licenses. As jurisdictions and AAMVA change their documents and guidelines, we believe our software, together with our programmable terminal, can be adapted to these changes.

ID-Check terminals do not require a connection to a central database to operate thus negating privacy concerns. Our terminals have the ability to operate add-on peripherals such as printers, bar code scanners, fingerprint readers and other devices. Additionally, our terminals can communicate with personal computers, which could enhance the functionality of the terminals and potentially create the opportunity for sales of other software products by us.

The ID-Check process is quick, simple and easy to use. After matching the (driver license) photograph to the person presenting the document for identification, the user simply swipes the driver license through the ID-Check terminal if the card has a magnetic stripe or scans it if it has a bar code. The terminal quickly determines if the document:

(i) is valid;

(ii) has been altered or tampered with;

(iii) has expired; and

(iv) has a date of birth equal to or greater than the legal age to purchase age restricted products, such as alcohol and tobacco, in the retailer's location.

Then, the terminal will automatically:

(i) respond to the user by displaying the results in words on the terminal's screen;

(ii) save information that is permissible by law to the terminal's own memory;

(iii) print a record of the transaction including the results on a roll of paper similar to that used in cash registers, if an optional printer has been installed; and

(iv) send the results to a personal computer which has Microsoft Windows 95/98/ME/NT/2000/XP ("PC") for permanent storage when used in conjunction with our Q-Link or C-Link software, which simplifies record keeping by downloading comprehensive ID-Check due diligence data into a PC. This provides a merchant with secure back-up files that include individual and cumulative transaction records, where permitted by law.

(2) Marketing and Distribution

Our objective has been to become the leading developer and distributor of document and age verification products. To date, our marketing efforts have been through direct sales by our sales and marketing personnel, participation in trade shows, through resellers and OEM agreements. We had formulated our initial marketing plan with the intention of having distributors sell sufficient terminals per month to generate enough revenue to keep us at break even or slightly profitable while its direct sales force concentrated on large accounts where we knew the sales cycle was quite long and extended. We have recently signed agreements to market our products through well known public interest and trade associations in an effort to upgrade our distributor network. We have entered into a marketing agreement with Mothers Against Drunk Driving (MADD) to market our products for age-verification to sellers of alcoholic beverages. We also signed an agreement with the American Association of Airport Executives (AAAE), the most prominent aviation trade group in the world, to market our document verification technology to the Aviation Industry. We are actively pursuing additional well known organizations to expand our distributor channels.

We generate revenues from the sale or lease of ID-Check and IDentiScan terminals, the sale of software upgrades, the sale of software maintenance and hardware warranty programs, the sale of C-Link software and from the licensing of our patented software to third parties.

Our patented ID-Check software is installed in a self-contained terminal similar to those commonly used as credit card terminals, which we market to the government, airlines, airports, high profile buildings and sensitive infrastructure, mass merchandisers, grocery, convenience store and pharmacy chains, casinos, banks and resellers of age restricted products. The ID-Check unit has a suggested retail price of approximately $2,500, which includes our Q-Link software and upgrades for the first year after purchase. We have

developed a comprehensive marketing plan to build customer awareness and develop brand recognition in target markets. We promote the advantages and ease of use of the ID-Check terminal through:

(i) endorsement by nationally known public interest groups and trade associations;
(ii) trade publications;
(iii) trade shows;
(iv) conventions and seminars;
(v) direct mail; and
(vi) our website.

As we gain market acceptance of the ID-Check terminal, we intend to develop and market other related software applications.

Distribution strategy

In October 1999, we hired a vice president of sales. In December 2000, we hired a director of corporate sales. In January 2002, we hired a director of sales for the Southern Region of the U.S. In June 2002, we hired a director of sales for the Western Region of the U.S.

Our initial target markets

Our initial target markets for the ID-Check terminal are:

(i) airports, airlines, bus, port and rail terminals;
(ii) banks and credit unions;
(iii) credit card issuers;

(iv) mass merchandisers;
(v) convenience stores;
(vi) grocery and pharmacy chains;
(vii) casinos;
(viii) bars and night clubs; and
(ix) resellers of age restricted products.

Some of the reasons why we have targeted these markets are:

(a) The Airlines are required by FAA regulations to verify the identity of passengers over 18 years of age. The form of identification is usually a valid driver license or other form of legally acceptable picture identifica- tion in order to board any airliner domestically; and

(b) Banks are facing increased losses from fraudulent transactions involving identity theft and additionally are required to verify the identity of new accounts under provisions of the Patriot Act.

(c) Mass merchandisers and credit card issuers, who are facing huge economic losses through the use of fraudulent credit cards and stolen or forged checks, could use our technology to verify that the customer who pays by check or credit card and presents a driver license as proof of identity to support a transaction has presented a valid one prior to processing the transaction.

Distributors and independent sales organizations

Management estimates there are thousands of businesses referred to as distributors or independent sales organizations (ISO's), which specialize in marketing equipment to "mom and pop" establishments. We believe that this is the most cost effective way of reaching the smaller retailers. As such, we will continue to actively enter into sales agreements with distributors and ISO's to distribute our product. We have changed the requirements to become a reseller to be more selective and are in the process of revamping our distributor network to provide for a more knowledgeable and effective reseller.

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Upgrade Capability

Our software requires periodic updates as states and provinces that did not previously conform to AAMVA standards begin to store electronically readable information on their driver licenses and as states and provinces adjust or modify the format of their electronically stored information. The technology, which can be used to instantly upgrade the terminal by simply scanning an encrypted upgrade card through the ID-Check terminal or downloading it from our website through a P.C. are included in the purchase price of the ID-Check unit for the first year after purchase. We have begun to sell upgrade packages for the period commencing after the first year of purchase. Because each terminal has a unique serial number, the upgrade will only work with that terminal, making unauthorized copying valueless. We have also developed a secure way of delivering upgrades through the Internet.

C-Link Software

We have developed our C-Link software, which was introduced to the marketplace in 2001 and is continually being enhanced with new features. C-Link, when used in conjunction with our ID-check terminal, has the ability to collect transaction information read and stored by the ID-Check terminal, instantaneously display it in real time for enhanced security purposes and save it to a PC hard drive for permanent storage. Once saved, the information can be utilized to prevent potential economic loss to the user and can also be used to easily search, analyze and generate demographics, statistics and mailing lists for existing customers where permitted by law. It has the ability to build and maintain watch lists, detect a recurring entry and signal the user when an alert is triggered.

Additional Target Customers

In addition to the target markets prior stated, others that could benefit by using the ID-Check terminal to prevent fraudulent transactions supported by the use of a fake driver license as proof of identity or for access control include:

(i) car rental agencies;
(ii) hotels and motels;
(iii) stadiums and arenas;
(iv) check cashing services;
(v) oil refineries and nuclear facilities;
(vi) court houses; and
(vii) law enforcement agencies.

Products in Development

We have developed prototypes of the following products:

MAVE In 1998, we built two prototypes of a hand-held portable version of our ID-Check terminal specifically designed for law enforcement. We have trademarked this product as MAVE for Mobile Age Verification and Enforcement. We are currently testing other Windows based handheld products that could operate our software for applications in the hospitality industry as well as other industries.

IDN-DCD In 2002, we built several prototypes of a data capture device containing a customized imager/scanner and a three track magnetic stripe reader that are capable of reading all encoded data on encoded driver licenses so that our IDN-DLL can be utilized with the customer's computer system.

(3) Competition

Unless a device can read, decode and analyze all of the information legally permitted to be analyzed which is electronically stored on a driver license, the user may not obtain accurate and reliable confirmation that a driver license is valid and has not been altered or tampered with. We are aware of several companies, including Legal Age, Card Com and ID Logix that are currently offering products that electronically read and calculate age from a driver license. We have tested and compared some of these products to ID-Check and believe that our product is superior in quality and functionality. Some of these products are based on types of equipment which have limited functionality. Those

units that cannot read barcodes are at a significant disadvantage because 31 States and two Canadian Provinces currently utilize barcodes to encode their driver licenses in addition to all U.S. military ID's and uniformed services cards. This number is expected to continue to increase within the next year based upon current available information. In addition, some of these other products cannot connect to a PC or use a printer. We also believe that some of these products may infringe on our patent. We recently instituted a lawsuit claiming patent infringement against CardCom.

There are also products being marketed which are essentially electronic calendars designed to assist the retailer in calculating the age of the person presenting a driver license. These devices, however, cannot determine whether a driver license is valid or has been altered.

A very small number of laminate verifiers are currently used to determine the validity of the laminate on a driver license. However, laminate verifiers are fragile, not reliable and we believe can only be used in New York State.

(4) Supplier

We had engaged Hand Held Products, Inc. (HHP) formerly known as Welch Allyn, Inc., a leading privately-held manufacturer of medical equipment and barcode readers and scanners, to provide a programmable terminal to operate our patented ID-Check software. We have placed orders for 7,000 terminals of which we have received 4,000, which contain a three-track magnetic reader and a scanner/imager, which is an advanced form of barcode scanner. We have paid $600,000 as a deposit to secure the purchase of the remaining units. HHP informed us that effective July 9, 2003, they have discontinued manufacturing this model and we are in discussions with them and other manufacturers as to which platform we will select to run our patented software. The current terminal is fully capable of running our patented software since it utilizes a state-of-the-art imager/scanner and magnetic stripe reader. However, we have reserved the $600,000 deposit because we have not yet determined whether we will purchase the remaining units or select a new hardware platform to run our patented technology.

If we are unable to secure a manufacturer for our terminal on satisfactory terms to us, there may be an adverse effect on our results of operations. However, as a result of our licensing of our technology, such effect could be reduced as we would be less dependent on our supplier for sales.

In connection with the acquisition of certain assets of the IDentiScan Company, LLC, we have also engaged another manufacturer, Accu-Time Systems, Inc. to provide for the manufacturing of our IDentiScan line of products.

(5) Intellectual Property

In January 1999, we were issued a patent on our ID-Check software technology. In October 2002, we received from the U.S. Patent Office the issuance of our continuation patent No. 6,462,416 B1. We have also been granted multiple copyrights in the United States, which are effective in Canada and other major industrial countries. The patent covers a specific process relating to ID-Check, including age verification from a driver license. In addition, the copyright protection covers software source codes and supporting graphics relating to the operation of ID-Check and other software products. We have also received several trademarks relating to our company, its product names, and logos.

Upon the acquisition of the assets of IDentiScan, we received sole ownership rights to intellectual property relating to age verification technology. Specifically, Intelli-Check acquired ownership of U.S. Patent Nos. 6,523,741 and 6,148,091and its Canadian counterpart, Canadian Patent. No. 2,242,205. These patents are entitled "Apparatus for Controlling the Rental and Sale of Age-Controlled Merchandise and for Controlling Access to Age-Controlled Services." In addition, Intelli-Check also acquired all right, title and interest to any and all patents resulting from pending U.K. patent application No. 103275.4 relating to the foregoing patented technology as well as sole rights to IDentiScan's trademarks, copyrights and trade secrets.

We also rely on proprietary knowledge and employ various methods, including confidentiality agreements, to protect our software codes, concepts, ideas and documentation of our proprietary technology.

Under an agreement with Mr. Kevin Messina, our former Senior Executive V.P. and Chief Technology Officer, we will pay royalties equal to 0.005% of gross sales from $2,000,000 to $52,000,000 and 0.0025% of gross sales in excess of $52,000,000.

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(6) Employees

As of March 26, 2003, we had twenty-five full-time employees and one part-time employee, including four who are engaged in executive management, thirteen in information technology, six in sales and marketing and three administrative staff. We believe our relations with our employees are generally good and we have no collective bargaining agreements with any labor unions.

Item 2. Description of Property

Our executive offices are currently located in Woodbury, New York, where we occupy approximately 9,700 square feet of leased space pursuant to a lease expiring on December 31, 2010. In March 2002, we signed a 2-year lease in Connecticut to operate our IDentiScan division, which expires March 31, 2004. Payments under these leases were $80,538 for 2000, $210,882 for 2001, $242,083 for 2002, and will be $2,113,236 for the remaining years of the leases.

Item 3. Legal Proceedings

We are presently involved in three lawsuits.

A lawsuit was filed as a class action on October 18, 2001 on behalf of short-sellers of our stock, who allegedly suffered losses because of the rise in the price of our stock, in the United States District Court for New Jersey. The class action suit was amended in November 2001 and is now an individual action. The complaint alleges violations of the Securities and Exchange Act of 1934. On July 26, 2002, we filed a motion to dismiss the lawsuit. Our motion to dismiss has been fully briefed by both sides and is awaiting the Court's decision. The Company believes the suit is without merit.

A demand for arbitration was brought by Early Bird Capital Inc. in January 2002, seeking issuance of warrants with registration rights pursuant to the terms of a Financial Advisory and Investment Banking Agreement dated as of August 20, 2000. The arbitration took place in December 2002 and January 2003, and both sides have completed presenting their cases. Early Bird Capital has demanded a monetary judgment in the amount of $968,000, which, if awarded, would have a material adverse effect on us. We believe we have presented a meritorious defense; however, there can be no assurance that we will prevail.

On February 19, 2003, we filed a summons and complaint upon CardCom Technology, Inc. for its infringement on our patent. Under Federal rules, absent an extension of time, the CardCom answer is due on or before April 1, 2003.

We are not aware of any infringement by our products or technology on the proprietary rights of others.

Other than as set forth above, we are not currently involved in any legal or regulatory proceeding, or arbitration, the outcome of which is expected to have a material adverse effect on our business.

Item 4. Submission of Matters to a Vote of Security Holders

During the fourth quarter of our fiscal year ended December 31, 2002 there were no matters submitted to a vote of security holders.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

(a) Our Common Stock is traded on the American Stock Exchange under the symbol "IDN." The following table indicates high and low sales quotations for the periods indicated based upon information supplied by AMEX.

2001	Low	High
First Quarter	$3.70	$11.625
Second Quarter	$4.50	$10.60
Third Quarter	$7.40	$14.75
Fourth Quarter	$10.20	$19.45
2002		
First Quarter	$11.30	$18.19
Second Quarter	$4.85	$15.75
Third Quarter	$2.10	$5.90
Fourth Quarter	$2.90	$9.87
2003		
January	$6.35	$8.44
February	$5.80	$7.66

(b) Number of Holders of Common Stock. The number of holders of record of our Common Stock on March 26, 2003 was 67, which does not include individual participants in security position listings.

(c) Dividends. There were no cash dividends or other cash distributions made by us during the fiscal year ended December 31, 2002. Future dividend policy will be determined by our Board of Directors based on our earnings, financial condition, capital requirements and other then existing conditions. It is anticipated that cash dividends will not be paid to the holders of our common stock in the foreseeable future.

(d) Recent Sales of Unregistered Securities. In November 1999, we completed our initial public offering from which we received net proceeds of approximately $5,915,000. In December 1999 the underwriters of our initial public offering exercised the over allotment option to purchase an additional 150,000 shares of our common stock from which we received net proceeds of $992,000. After repayment of the Notes we issued in August and September 1999, we invested approximately $5,000,000 in short term financial instruments and used approximately $607,000 to make additional deposits on terminals and for general working capital purposes.

In addition, we sold the following unregistered securities in reliance on the exemption provided by Section 4(2) and Regulation 506 of the Securities Act as transactions not involving a public offering:

In September 1996, we sold a total of 87,500 shares of our common stock for $175,000. Paul Cohen and Eric Cohen, the father and uncle of our co-founder, Todd Cohen, purchased 62,500 shares and 15,000 shares, respectively. Gregg Messina, the brother of our co-founder, Kevin Messina, purchased 10,000 shares.

In connection with the issuance, (i) each shareholder represented to us that, by virtue of his investment acumen, business experience or independent financial and tax advice, he had the capability of evaluating the risks and merits in investing in the shares, (ii) each shareholder represented that the shares acquired cannot be sold without registration under the Securities Act, except in reliance upon an exemption therefrom and (iii) we did not engage in any general solicitation or advertisement for the issuance. The shareholders further represented their intention to acquire the securities for investment only and not with a view to the distribution thereof. Appropriate legends were affixed to

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the stock certificates issued in such transactions. Each shareholder had adequate access to sufficient information about us to make an informed investment decision. The issuance and sale of these securities were made in reliance on the exemption provided by Section 4(2) of the Securities Act, as a transaction not involving any public offering.

In October 1996, we issued a total of 41,385 shares of our common stock to satisfy loans in the aggregate amount of $82,770. Paul Cohen, the father of our co-founder, Todd Cohen, accepted 28,885 shares in repayment of $57,770 of indebtedness and William Glasgow, who has been, since September 1996, employed by us and is currently Vice President of our Product, Management and Operations Department, accepted 12,500 shares in repayment of $25,000 of indebtedness. Also in October 1996, we issued a total of 22,500 shares of our common stock in repayment of $45,000 owed to our former attorneys, Post & Heymann LLP. In connection with the issuance, (i) each shareholder represented to us that, by virtue of his investment acumen, business experience or independent financial and tax advice, he had the capability of evaluating the risks and merits in investing in the shares, (ii) each shareholder represented that the shares acquired cannot be sold without registration under the Securities Act, except in reliance upon an exemption therefrom and (iii) the registrant did not engage in any general solicitation or advertisement for the issuance. The shareholders further represented their intention to acquire the securities for investment only and not with a view to the distribution thereof. Appropriate legends were affixed to the stock certificates issued in such transactions. Each shareholder had adequate access to sufficient information about the Company to make an informed investment decision. The issuance and sale of these securities were made in reliance on the exemption provided by Section 4(2) of the Securities Act, as a transaction not involving any public offering. The issuance and sale of these securities were made in reliance on the exemption provided by Section 4(2) of the Securities Act, as a transaction not involving any public offering.

In December 1996 and January 1997, Frank Mandelbaum, our chief executive officer, made loans totaling $142,000 with interest at 10% with maturity in 90 days. He subsequently extended the notes on several occasions. In November 1997, as part of the private placement discussed below, we issued to Mr. Mandelbaum 71,000 shares of our common stock and warrants to purchase 71,000 shares of our common stock at an exercise price of $3.00 per share in exchange for Mr. Mandelbaum's forgiveness of his loan to us of $142,000. Mr. Mandelbaum is an accredited investor, as that term is defined in Regulation D promulgated under the Securities Act. The securities issued to Mr. Mandelbaum contain a legend stating that the securities acquired cannot be sold without registration under the Securities Act, except in reliance upon an exemption therefrom. As the chief executive officer, Mr. Mandelbaum had adequate access to sufficient information about us to make an informed investment decision. The Company did not engage in any general solicitation or advertisement for the issuance. The issuance and sale of these securities were made in reliance on the exemption provided by Section 4(2) of the Securities Act, as a transaction not involving any public offering.

In January 1997, we entered into a Note Purchase Agreement with the New

York State Science and Technology Foundation, which became The Empire State Development Corporation on February 1, 2000, pursuant to which we issued a Convertible Promissory Note in the amount of $250,000. The Foundation also agreed to invest an additional $250,000 through the purchase of 125,000 shares of Series A convertible preferred stock based upon our raising a certain amount of additional capital. The note bore interest at 8% per annum. In January 1998, we exercised our right to redeem the convertible promissory note held by the Foundation for 125,000 shares of Series A convertible preferred stock. In addition, the Foundation purchased an additional 125,000 shares of Series A convertible stock for $250,000. In July 1999, the Foundation exercised its conversion rights and received 250,000 shares of common stock in exchange for its preferred stock.

The Empire State Development Corporation formerly known as the New York State Science and Technology Foundation subscribed to 100,000 units for $200,000 in the private placement of September 1998, discussed below, which units consisted of one share of common stock and one warrant to acquire an additional share at $3.00 per share. In April 1999, we adjusted the exercise price of warrants issued to the Foundation from $3.00 to $2.00 if exercised within 30 days of the adjustment. In May 1999, the Foundation exercised such warrant and we issued 100,000 shares of our common stock and a new warrant to purchase 100,000 shares of our common stock at an exercise price of $3.00, which was exercised in February 2001.

In connection with the issuance of securities to the New York State Science and Technology Foundation now known as the Empire State Development Corporation, (i) the Foundation represented to us that it and/or its officers or employees were experienced in evaluating and investing in newly-organized, high-technology companies such as Intelli- Check, (ii) the Foundation represented that the shares acquired cannot be sold without registration under the Securities Act,

except in reliance upon an exemption therefrom and (iii) we did not engage in any general solicitation or advertisement for the issuance. Appropriate legends were affixed to the stock certificates issued in such transactions. The Foundation had adequate access to sufficient information about us to make an informed investment decision. The issuance and sale of these securities were made in reliance on the exemption provided by Section 4(2) of the Securities Act, as a transaction not involving any public offering.

In February 1997, we issued 12,000 shares of our common stock to Blanchfield King Kober, our former accountants, in payment of accounting fees totaling $24,000. In June 1999, we issued an additional 9,000 shares of our common stock to Blanchfield King Kober in payment of accounting fees totaling $36,000. We believe that these accountants have such knowledge and experience in financial and business matters that they were capable of evaluating the merits and risks of the investment. The shares issued to the shareholders contain a legend stating that the shares acquired cannot be sold without registration under the Securities Act, except in reliance upon an exemption therefrom. Because of their relationship with us, the shareholders had adequate access to sufficient information about us to make an informed investment decision. We did not engage in any general solicitation or advertisement for the issuance. The issuance and sale of these securities were made in reliance on the exemption provided by Section 4(2) of the Securities Act, as a transaction not involving any public offering.

In May 1997 and June 1997, we sold 315,000 units to 8 purchasers, which units consisted of one share of common stock and one warrant to acquire an additional share at $3.00 per share originally set to expire in June 1999 in a private placement with respect to which Jesup & Lamont Securities Corp. acted as placement agent. The placement agent received a commission of $45,500 and a non-accountable expense allowance of $20,000 in connection with the private placement. Net proceeds to us were $550,849. Of the amount raised, $75,000 represented payment from one of our directors for 37,500 units. Our company also issued to the placement agent non-redeemable warrants to purchase 7,500 units for $2.25 per unit, which includes one share of common stock and an attached warrant to purchase an additional share of common stock at $3.00 per share. In connection with the issuance, (i) each shareholder represented to us that he was either an accredited investor, as that term is defined in Regulation D promulgated under the Securities Act, and/or that he and such other persons as he found it necessary or advisable to consult, have sufficient knowledge and experience in business and financial matters to evaluate the risks of the investment and to make an informed investment decision with respect thereto, (ii) each shareholder represented that the securities acquired cannot be sold without registration under the Securities Act, except in reliance upon an exemption therefrom and (iii) we did not engage in any general solicitation or advertisement for the issuance. The shareholders further represented their intention to acquire the securities for investment only and not with a view to the distribution thereof. Appropriate legends were affixed to the stock certificates and warrants issued in such transactions. Each shareholder had adequate access to sufficient information about us to make an informed investment decision. The issuance and sale of these securities were made in reliance on the exemption provided by Section 4(2) of the Securities Act, as a transaction not involving any public offering.

In November 1997, we sold in a private placement a total of 558,500 units to 15 purchasers, which units consisted of one share of common stock and one warrant to acquire an additional share at $3.00 per share originally set to expire in November 1999. Our company received net proceeds of $1,117,000 from this offering. In connection with the issuance, (i) each shareholder represented to us that he was either an accredited investor, as that term is defined in Regulation D promulgated under the Securities Act, and/or that he and such other persons as he found it necessary or advisable to consult, have sufficient knowledge and experience in business and financial matters to evaluate the risks of the investment and to make an informed investment decision with respect thereto, (ii) each shareholder represented that the securities acquired cannot be sold without registration under the Securities Act, except in reliance upon an exemption therefrom and (iii) we did not engage in any general solicitation or advertisement for the issuance. The shareholders further represented their intention to acquire the securities for investment only and not with a view to the distribution thereof. Appropriate legends were affixed to the stock certificates and warrants issued in such transactions. Each shareholder had adequate access to sufficient information about us to make an informed investment decision. The issuance and sale of these securities were made in reliance on the exemption provided by Section 4(2) of the Securities Act, as a transaction not involving any public offering.

In July 1998, we commenced a private placement of 500,000 units at $6.00 per unit. These units consisted of two shares of common stock at $3.00 per share and one warrant to acquire an additional share at $5.00 per share expiring two years from the date of the closing. In connection with this offering, we sold 31,000 units and received proceeds of $186,000. Due to market conditions prevailing at that time for raising capital, we rescinded the offering and all the subscribers agreed to re-subscribe under the terms of the September 1998 offering.

In September 1998, we commenced a private placement of 1,000,000 units at $2.00 per unit. These units consisted of one share of common stock and one warrant to acquire an additional share at $3.00 per share. The offering was extended to January 17, 1999. We sold 273,000 units to 4 purchasers and received $546,000 as a result of the offering, of which $30,000 was received in January 1999. In connection with the issuance, (i) each shareholder represented to us that he was either an accredited investor, as that term is defined in Regulation D promulgated under the Securities Act, and/or that he and such other persons as he found it necessary or advisable to consult, have sufficient knowledge and experience in business and financial matters to evaluate the risks of the investment and to make an informed investment decision with respect thereto, (ii) each shareholder represented that the securities acquired cannot be sold without registration under the Securities Act, except in reliance upon an exemption therefrom and (iii) we did not engage in any general solicitation or advertisement for the issuance. The shareholders further represented their intention to acquire the securities for investment only and not with a view to the distribution thereof. Appropriate legends were affixed to the stock certificates and warrants issued in such transactions. Each shareholder had adequate access to sufficient information about us to make an informed investment decision. The issuance and sale of these securities were made in reliance on the exemption provided by Section 4(2) of the Securities Act, as a transaction not involving any public offering.

In February 1999, we extended the expiration date for the warrants issued in May 1997, June 1997 and November 1997 until June 30, 2000.

In March 1999, we commenced a private placement and sold 259,600 units to 17 purchasers at $2.00 per unit. These units consisted of one share of common stock and one warrant to acquire an additional share at $3.00 per share. We received $489,200 as a result of the offering prior to June 30, 1999 and $30,000 in August, 1999. In connection with the issuance, (i) each shareholder represented to us that he was either an accredited investor, as that term is defined in Regulation D promulgated under the Securities Act, and/or that he and such other persons as he found it necessary or advisable to consult, have sufficient knowledge and experience in business and financial matters to evaluate the risks of the investment and to make an informed investment decision with respect thereto, (ii) each shareholder represented that the securities acquired cannot be sold without registration under the Securities Act, except in reliance upon an exemption therefrom and (iii) we did not engage in any general solicitation or advertisement for the issuance. The shareholders further represented their intention to acquire the securities for investment only and not with a view to the distribution thereof. Appropriate legends were affixed to the stock certificates and warrants issued in such transactions. Each shareholder had adequate access to sufficient information about us to make an informed investment decision. The issuance and sale of these securities were made in reliance on the exemption provided by Section 4(2) of the Securities Act, as a transaction not involving any public offering.

In May 1999, we issued 10,000 shares of our common stock to Allan Binder in exchange for the termination of a royalty agreement. Mr. Binder is an attorney and served as a consultant. Because of his relationship with us, Mr. Binder had adequate access to sufficient information about us to make an informed investment decision. We believe that Mr. Binder had such knowledge and experience in financial and business matters that he was capable of evaluating the merits and risks of the investment. The shares issued to Mr. Binder contain a legend stating that the shares acquired cannot be sold without registration under the Securities Act, except in reliance upon an exemption therefrom. We did not engage in any general solicitation or advertisement for the issuance. The issuance and sale of these securities were made in reliance on the exemption provided by Section 4(2) of the Securities Act, as a transaction not involving any public offering.

In May 1999, we issued to Frank Mandelbaum 75,000 shares of our common stock and warrants to purchase 75,000 shares at an exercise price of $3.00 per share, which was exercised in October 2001 and we issued to Kevin Messina 5,063 shares of our common stock and warrants to purchase 5,063 shares at an exercise price of $3.00 per share, which expired in October 2001. These issuances reduced Mr. Mandelbaum's deferred compensation by $150,000 and Mr. Messina's deferred compensation by $10,126. In addition, we issued to Mr. Messina 69,937 shares of our common stock and warrants to purchase 69,937 shares of our common stock at an exercise price of $3.00 per share in exchange for the termination of Mr. Messina's reversion rights for certain software. These warrants expired in October 2001. In June 1999, all remaining deferred compensation and interest due to Mr. Mandelbaum, Mr. Messina and Todd Cohen was eliminated by the issuance of options to purchase 375,000, 207,000 and 110,000 shares, respectively, of our common stock. Mr. Mandelbaum's deferred compensation was reduced by approximately $380,000, Mr. Messina's deferred compensation was reduced by approximately $210,000 and Mr. Cohen's deferred compensation was reduced by approximately $110,000. Mr. Mandelbaum is an accredited investor, as that term is defined in Regulation D promulgated under the Securities Act. In addition, we believe that each of these members of senior management had such knowledge and experience in financial and business matters that they were capable of evaluating the merits and risks of the investment. The securities issued to the shareholders contain a legend stating that the warrants, options and underlying

shares cannot be sold without registration under the Securities Act, except in reliance upon an exemption therefrom. As members of senior management, Messrs. Mandelbaum, Messina and Cohen had adequate access to sufficient information about the Company to make an informed investment decision. We did not engage in any general solicitation or advertisement for the issuance. The issuance and sale of these securities were made in reliance on the exemption provided by Section 4(2) of the Securities Act, as a transaction not involving any public offering.

In June 1999, we agreed to terminate the supplier agreement we had with Hazeltine (formerly Marconi Aerospace Systems, Inc.), for which we issued 75,000 shares of our common stock to Hazeltine in payment of outstanding invoices totaling $220,000, and we received all units of ID-Check which had been manufactured, all samples, designs, drawings, software, molds and any other item related to ID-Check. In connection with the issuance, (i) the shareholder represented to us that it was an accredited investor, as that term is defined in Regulation D promulgated under the Securities Act, and that it had sufficient knowledge and experience in business and financial matters to evaluate the risks of the investment and to make an informed investment decision with respect thereto, (ii) the shareholder represented that the securities acquired cannot be sold without registration under the Securities Act, except in reliance upon an exemption therefrom and (iii) we did not engage in any general solicitation or advertisement for the issuance. The shareholder further represented its intention to acquire the securities for investment only and not with a view to the distribution thereof. Appropriate legends were affixed to the stock certificates issued in such transaction. The shareholder had adequate access to sufficient information about us to make an informed investment decision. The issuance and sale of these securities were made in reliance on the exemption provided by Section 4(2) of the Securities Act, as a transaction not involving any public offering.

In August and September 1999 we placed $1,200,000 of secured promissory notes with interest at 10%. These notes have warrants attached to purchase 2,500 shares for each principal amount of $50,000 at $3.00 per share expiring in August 2002 of securities by us and can be redeemed by us at $.01 per warrant at any time that our stock has a public market price of $6.00 per share for 20 consecutive days. The notes mature on the sooner of July 31, 2000 or the date that we receive gross proceeds from a public offering of our securities of $6,000,000. In connection with the issuance, (i) each noteholder represented to us that he was either an accredited investor, as that term is defined in Regulation D promulgated under the Securities Act, and/or that he and such other persons as he found it necessary or advisable to consult, have sufficient knowledge and experience in business and financial matters to evaluate the risks of the investment and to make an informed investment decision with respect thereto, (ii) each noteholder represented that the notes, warrants and underlying shares cannot be sold without registration under the Securities Act, except in reliance upon an exemption therefrom and (iii) we did not engage in any general solicitation or advertisement for the issuance. The noteholders further represented their intention to acquire the securities for investment only and not with a view to the distribution thereof. Appropriate legends were affixed to the notes and warrants issued in such transactions. Each noteholder had adequate access to sufficient information about us to make an informed investment decision. The issuance and sale of these securities were made in reliance on the exemption provided by Section 4(2) of the Securities Act, as a transaction not involving any public offering.

In December 2000, we granted 25,000 stock options to Korey Kay & Partners Inc., our advertising firm, for services to be performed, of which all are exercisable at $10.00. In December 2000, 3,599 of these stock options vested for services performed which services were valued at $14,398. During 2001, 210 additional stock options vested for services performed which services were valued at $842. We do not expect to utilize their services in the future and the remaining unvested stock options were expired as of December 31, 2002. The stock options were issued pursuant to our 1998 Stock Option Plan in reliance on the exemption provided by Section 4(2) of the Securities Act, as a transaction not involving any public offering. The agreement for the option grant contains restrictions on transfer of the options by the Optionee. The shares underlying the options are registered pursuant to an effective Form S-8 registration statement. We believe that Korey Kay, as the Company's advertising firm, had such knowledge and experience, in financial and business matters, that it was capable of evaluating the merits and risks of an investment and adequate access to sufficient information about us to make an informed investment decision.

During 2000, we received $3,223,874 from the exercise of 1,115,084 warrants previously issued. Except for the underwriter warrants, all of the warrant holders received these warrants from their participation in our private placement of stock and debt financing prior to its initial public offering. In connection with the issuance, (i) each warrantholder represented to us that, by virtue of his investment acumen, business experience or independent financial

and tax advice, he had the capability of evaluating the risks and merits in investing in the shares, (ii) each warrantholder represented that the shares acquired cannot be sold without registration under the Securities Act, except in reliance upon an exemption therefrom and (iii) we did not engage in any general solicitation or advertisement for the issuance. The warrantholders further represented their intention to acquire the securities for investment only and not with a view to the distribution thereof. Appropriate legends were affixed to the stock certificates issued in such transactions. Each warrantholder had adequate access to sufficient information about us to make an informed investment decision. The issuance and sale of these securities were made in reliance on the exemption provided by Section 4(2) of the Securities Act, as a transaction not involving any public offering. Of these warrants, 71,000 were exercised by an Executive Officer of Intelli-Check and 37,500 warrants were exercised by a Director of Intelli-Check. Each of the Executive Officer and Director who exercised their warrants is an accredited investor as that term is defined in Regulation D promulgated under the Securities Act. In addition, we believe that each of these persons had such knowledge and experience in financial and business matters that they were capable of evaluating the merits and risks of the investment. The securities issued to the shareholders contain a legend stating that the warrants and underlying shares cannot be sold without registration under the Securities Act, except in reliance upon an exemption therefrom. As a member of senior management and a director of Intelli-Check, such persons had adequate access to sufficient information about us to make an informed investment decision. We did not engage in any general solicitation or advertisement for the issuance. The issuance and sale of these securities were made in reliance on the exemption provided by Section 4(2) of the Securities Act, as a transaction not involving any public offering. In addition, the underwriters of our initial public offering exercised 90,000 warrants. We believe that the underwriter had such knowledge and experience in financial and business matters that it was capable of evaluating the merits and risks of the investment. We did not engage in any general solicitation or advertisement for the issuance. The underwriter had adequate access to sufficient information about us to make an informed investment decision. The issuance and sale of these securities were made in reliance on the exemption provided by Section 4(2) of the Securities Act, as a transaction not involving any public offer.

In March 2001, we declared a dividend distribution of one non-transferable right to purchase one share of our common stock for every 10 outstanding shares of common stock continuously held from the record date to the date of exercise, as well as common stock underlying vested stock options and warrants, held of record on March 30, 2001, at an exercise price of $8.50. The rights were to expire on October 4, 2002, which was one year after the effective date of the registration statement related to the shares of common stock underlying the rights. On October 1, 2002, the company extended the expiration date until April 4, 2003 and further extended them until December 31, 2003. If certain conditions are met, we have the right to redeem the outstanding rights for $.01 per right. As of March 26, 2003, these conditions were not met. We have reserved 970,076 shares of common stock for future issuance under this rights offering. As of December 31, 2002, 287,594 of these rights were exercised and we received $2,444,549 before expenses.

In March 2001, we extended the expiration date of its warrants that were due to expire on various dates through June 30, 2001, until September 30, 2001. In September 2001, we further extended the expiration of these warrants until October 31, 2001. During 2001, we received $1,058,175 from the exercise of 352,725 remaining warrants. Of these warrants, 75,000 were exercised by an Executive Officer of Intelli-Check. In addition, 36,250 warrants were converted into 25,329 shares of our common stock utilizing the cashless exercise provision. During 2002, we received $3,750 from the exercise of 1,250 warrants. As of December 31, 2002, there remained underwriter warrants outstanding to purchase 10,000 shares of the Company's common stock at an exercise price of $8.40.

In March 2001, our Board of Directors authorized, subject to certain business and market conditions, the purchase of up to $1,000,000 of our common stock. During 2001, we purchased 10,000 shares totaling approximately $53,000 and subsequently retired these shares. During 2002, we purchased an additional 10,000 shares totaling approximately $70,000 and subsequently retired these shares.

During 2001, we received $775,150 from the exercise of 166,500 stock options. During 2002, we also received $825,850 from the exercise of 273,700 stock options.

On March 27, 2003, pursuant to a Securities Purchase Agreement, we sold 30,000 shares of our Series A 8% Convertible Preferred Stock, par value $.01 per share for $3,000,000 before expenses to Gryphon Master Fund, L.P. Each preferred share entitles the holder to receive dividends of 8% per annum and is convertible into 15.1515 shares of our common stock. Additionally, each share of Preferred Stock will receive one (1) five year warrant to purchase 3.787875 shares of common stock at a price of $6.78. The total amount of shares that may be issued upon conversion and the exercising of the warrants are 454,545 and

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113,636 shares, respectively. The Company must redeem all of the Preferred S tock outstanding on the fifth anniversary of the closing date at a redemption price, in cash, equal to the purchase price of the Preferred Stock.

Item 6. Selected Financial Data

The following selected financial data presented under the captions "Statement of Operations Data" and "Balance Sheet Data" as of the end of each of the years in the five years ended December 31, 2002, are derived from the financial statements of Intelli-Check, Inc. The financial statements for fiscal years ended December 31, 1998 through December 31, 2001 were audited by Arthur Andersen LLP, independent public accountants and the financial statements for the fiscal year ended December 31, 2002 have been audited by Grant Thornton, LLP independent certified public accountants. The selected financial data should be read in conjunction with the financial statements as of December 31, 2002, the accompanying notes and the report of independent public accountants thereon, which are included elsewhere in this Form 10-K.

	Years Ended December 31,			
	1998	1999	2000	2001
	(In thousands)			
Statement of Operations Data:				
Revenue	$ 86	$ 29	$ 343	$ 886
Loss from operations	(1,442)	(2,263)	(3,379)	(4,090)
Net Loss	(1,504)	(2,299)	(3,133)	(3,963)
Net loss per common share - basic and diluted	(0.36)	(0.45)	(0.47)	(0.52)
Common shares used in computing per share amounts - basic and diluted	4,208	5,080	6,648	7,911

	As of December 31			
	1998	1999	2000	2001
	(In thousands)			
Balance sheet data:				
Cash and cash equivalents	160	6,381	4,092	4,061
Working capital (deficit)	(925)	6,038	5,920	5,303
Total assets	451	7,208	7,940	8,423
Stockholders equity (deficit)	(658)	6,325	6,633	7,030

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

(a) Overview

Our company was formed in 1994 to address a growing need for a reliable document and age verification system to detect fraudulent driver licenses and other widely accepted forms of government-issued identification documents. Our sales through September 30, 2000 had been minimal since through 1998 we had previously produced only a limited pre- production run of our product for testing and market acceptance. In late 1999, we received a limited number of ID-Check terminals, which were then available for sale. Shortly thereafter, these terminals were returned to the manufacturer to be upgraded to contain an advanced imager/scanner, which allows our software to currently read the encoding on over 50 jurisdictions as opposed to 32 jurisdictions on the original scanner. During the fourth quarter of 2000, we experienced a material increase in sales as a result of product availability and establishing marketing and distributor agreements with resellers. During 2001 and 2002, sales were limited due to the refocus of our marketing efforts towards the larger customers in the retail market, in which the sales cycle normally requires an extended time frame involving multiple meetings, presentations and a test period, which has been further extended by the rapid slowing of the economy, whereby decisions for capital expenditures have been delayed. However, after the tragic events that occurred on September 11, 2001, there has been a significant increase in awareness and demand for our technology to help improve security across many industries, including airlines, high profile buildings and facilities. Since inception, we have incurred significant losses and negative cash flow from operating activities, and as of December 31, 2002 we had an accumulated deficit of $18,186,176. We will continue to fund operating and capital expenditures from proceeds that we received from our initial public offering ("IPO") and our recent issuance of convertible preferred stock as well as the exercise of

warrants, options and rights. In view of the rapidly evolving nature of our business and our limited operating history, we believe that period-to-period comparisons of revenues and operating results are not necessarily meaningful and should not be relied upon as indications of future performance.

Our initial marketing focus was targeted towards retailers of age-restricted products such as alcohol and tobacco. Because of our products enhanced ability to verify the validity of military ID's, driver licenses and state issued ID cards, containing either magnetic stripes or bar codes that conform to AAMVA/ANSI/ISO standards, we have refocused our marketing efforts to address the markets being affected by the cost to industry of "Identity Theft" and the need for enhanced security. As a result of our ID-Check product having the ability to verify the encoded formats of the documents described above, we have already sold our ID-Check unit to some of the largest companies in the gaming industry, a state port authority, military establishments, airports, nuclear power plants, high profile buildings and have completed successful tests of our technology in one of the largest mass merchandisers in the United States and a large quasi-government department. We currently have our product in tests with some large public companies. In addition, we have recently signed agreements with some high profile organizations which will promote the use of our technology and our products, such as Mothers Against Drunk Driving (MADD) and the American Association of Airport Executives (AAAE).

(b) Results of Operations

Comparison of the year ended December 31, 2002 to the year ended December 31, 2001.

The Company sells its product directly through its sales force and through distributors. Revenue from direct sales of the Company's product is recognized upon shipment to the customer. The Company's product requires continuing service or post contract customer support and performance by the Company, and accordingly a portion of the revenue based on its fair value is deferred and recognized ratably over the period in which the future service, support and performance are provided, which is generally one year. Currently, with respect to sales to distributors, the Company does not have enough experience to identify the fair value of each element and the full amount of the revenue and related gross margin is deferred and recognized ratably over the one-year period in which the future service, support and performance are provided.

Revenues increased $252,679 from $885,908 for the year ended December 31, 2001 to $1,138,587 recorded for the year ended December 31, 2002. Revenues for the period ended December 31, 2002 consisted of revenues from distributors of $464,463 and revenues from direct sales to customers of $674,124. Sales, which represent shipments of products and contracted services, increased 34% from $989,692 to $1,326,829 for the years ended December 31, 2001 and 2002, respectively, primarily as a result of the inclusion of IDentiScan, which continues to focus on the age verification market. The refocus of our marketing efforts for Intelli-Check's patented technology to the document verification and access control markets, which consists of the larger retailers and government agencies, in which the sales cycle requires an extended time frame involving multiple meetings, presentations and a test period, continues to impact our sales. In addition, during 2001 and continuing in 2002, the sales cycle has been further extended by the rapid slowing of the economy, resulting in decisions for capital expenditures being delayed. Certain tests, recent marketing agreements and legislative efforts from the government to enhance security are expected to result in increased sales opportunities.

Operating expenses, which consist of selling, general and administrative and research and development expenses, increased 46.2% from $4,497,322 for the year ended December 31, 2001 to $6,573,129 for the year ended December 31, 2002. Selling expenses, which consist primarily of salaries and related costs for marketing, increased 51.2% from $950,774 for the year ended December 31, 2001 to $1,437,509 for the year ended December 31, 2002 primarily due to increased salary costs, commissions and related expenses from hiring additional sales personnel totaling approximately $224,000, increased travel and convention expenses of approximately $112,000, increased advertising and marketing expenses of approximately $31,000 and hiring professional consultants to promote our product totaling approximately $103,000. General and administrative expenses, which consist primarily of salaries and related costs for general corporate functions, including executive, accounting, facilities and fees for legal and professional services, increased 43.9% from $2,332,150 for the year ended December 31, 2001 to $3,355,549 for the year ended December 31, 2002, primarily as a result of increased salary costs and related expenses from salary increases and the hiring of additional personnel relating to the acquisition of the IDentiScan assets in December 2001 of approximately $131,000, increased fees for investment relations consultants of approximately $705,000 primarily relating to the recognized non-cash expense of the granting of options to this group, which was 78% of this increase, increases in depreciation and amortization expenses of approximately $325,000 from additional purchases of equipment and acquired intangible assets from the acquisition of IDentiScan, increases in insurance costs of approximately $27,000 due to increases in premiums and higher rent expense of approximately $34,000 due to rent escalations and additional space from the acquisition of IDentiScan partially offset by lower legal costs of approximately $131,000 due to the settling of certain lawsuits. Research and development expenses, which consist primarily of salaries and related costs for the development of our products, amounted to $1,214,398 for the year ended December 31, 2001 compared to $1,180,071 for the year ended December 31, 2002, has not materially changed. During the 4th quarter of 2002, we recorded a reserve on inventory deposit of $600,000, which represents the deposit we paid

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the manufacturer on an open purchase order due to the uncertainty of whether or not we will complete the order to purchase additional units from our manufacturer or to fulfill future orders from a new platform once it is selected. As the Company experiences sales growth, we expect that we will incur additional operating expenses to support this growth. Research and development expenses may increase as we integrate additional products and technologies with our patented ID-Check technology.

Interest expense decreased from $8,336 for the year ended December 31, 2001 to $4,878 for the year ended December 31, 2002 as we have paid down certain capital leases which had higher interest rates.

Interest income decreased from $135,860 for the year ended December 31, 2001 to $53,871 for the year ended December 31, 2002, which is a result of a decrease in our cash and cash equivalents available for investment and lower interest rates in effect during this period.

Other income for the year ended December 31, 2002 totaling $336,344 resulted from a settlement of certain obligations under a Master Licensing agreement between the Company and Sensormatic Electronics Corporation, which was due to expire on March 31, 2002. We received $412,000 and incurred $75,656 in refurbishment costs for previously customized terminals during the quarter ended March 31, 2002.

We have incurred net losses to date; therefore we have paid nominal income taxes.

As a result of the factors noted above, our net loss increased from $3,962,931, which included $327,727 of non-cash expenses for the year ended December 31, 2001 to $5,550,234 for the year ended December 31, 2002, which included $1,773,131 of non-cash expenses, accounting for 91% of the increase in our net loss.

Comparison of the year ended December 31, 2001 to the year ended December 31, 2000.

The Company sells its product directly through its sales force and through distributors. Revenue from direct sales of the Company's product is recognized upon shipment to the customer. The Company's product requires continuing service or post contract customer support and performance by the Company, and accordingly a portion of the revenue based on its fair value is deferred and recognized ratably over the period in which the future service, support and performance are provided, which is generally one year. Currently, with respect to sales to distributors, the Company does not have enough experience to identify the fair value of each element and the full amount of the revenue and related gross margin is deferred and recognized ratably over the one-year period in which the future service, support and performance are provided.

Revenues increased by $542,929 from $342,979 recorded for the year ended December 31, 2000 to $885,908 recorded for the year ended December 31, 2001. Revenues from distributors totaled $721,930 and revenues from direct customers totaled $163,978. Revenues for the year ended December 31, 2000 included initial sales of a limited number of ID-Check terminals prior to the return of our inventory of these terminals to the manufacturer for upgrading. Sales of our enhanced product began in the later part of the third quarter of 2000 and primarily consisted of the initial order under the marketing agreement with Sensormatic Electronics Corporation. Sales of approximately $585,000 for the year ended December 31, 2001 were limited by the refocus of our marketing efforts towards the larger customers within the retail market, in which the sales cycle normally requires an extended time frame involving multiple meetings, presentations and a test period, which has been further extended by the rapid slowing of the economy, resulting in decisions for capital expenditures being delayed. In addition, the roll-out of Sensormatic's sales and marketing initiatives, which were to begin in April 2001 never materialized. Since Sensormatic has met all its obligations under the original agreement, which was modified in January 2002, the agreement, which was scheduled to expire on March 31, 2002, was, by mutual consent, not renewed. We have also begun to market to various government and state agencies, which have long sales cycles including extended test periods.

Operating expenses, which consist of selling, general and administrative and research and development expenses, increased 27.6% from $3,523,357 for the year ended December 31, 2000 to $4,497,322 for the year ended December 31, 2001.

Selling expenses, which consist primarily of salaries and related costs for marketing, increased 6.8% from $890,453 for the year ended December 31, 2000 to $950,774 for the year ended December 31, 2001 primarily due to increases in expenses attributable to the hiring of a Director of Corporate sales totaling approximately $100,000, increased travel expenses of approximately $67,000 and hiring professional consultants to promote our product totaling approximately $229,000 offset by the reduction of advertising expenses totaling $293,000. General and administrative expenses, which consist primarily of salaries and related costs for general corporate functions, including executive, accounting, facilities and fees for legal and professional services, increased 46.6% from $1,590,896 for the year ended December 31, 2000 to $2,332,150 for the year ended

December 31, 2001, primarily as a result of an increase in rent expense of approximately $99,000 as we moved to a larger facility and increased professional fees for accounting and investment relations counsel of approximately $169,000, increased legal fees of approximately $244,000, resulting from the defense of our patent and other law suits, increases in depreciation expenses from additional purchases of equipment of approximately $28,000, increases in insurance costs of $27,000 and refurbishment costs on inventory of $100,000. Research and development expenses, which consist primarily of salaries and related costs for the development of our products, increased 16.5% from $1,042,008 for the year ended December 31, 2000 to $1,214,398 for the year ended December 31, 2001. This increase is primarily attributable to net increases in salaries and related expenses and hiring additional programmers totaling $188,000. We expect that expenses will continue to increase in line with increases in the sales and growth of the business as we may increase expenditures for advertising, brand promotion, public relations and other marketing activities. We expect that we will incur incremental general and administrative expenses as we grow the business in line with the sales growth of the business. Research and development expenses may also increase as we complete and introduce additional products based upon our patented ID-Check technology.

Interest expense decreased from $14,863 for the year ended December 31, 2000 to $8,336 for the year ended December 31, 2001 as we have paid down certain capital leases which had higher interest rates than those currently prevailing.

Interest income decreased from $261,181 for the year ended December 31, 2000 to $135,860 for the year ended December 31, 2001, which is a result of a decrease in our cash and cash equivalents available for investment and lower interest rates in effect during this period.

We have incurred net losses to date; therefore, we have paid nominal taxes.

As a result of the factors noted above, our net loss increased from $3,132,772 for the year ended December 31, 2000 to $3,962,931 for the year ended December 31, 2001.

Critical Accounting Policies and the Use of Estimates

The preparation of our financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in our financial statements and accompanying notes. Actual results could differ materially from those estimates.

We believe that there are several accounting policies that are critical to understanding the Company's historical and future performance, as these policies affect the reported amounts of revenue and the more significant areas involving management's judgments and estimates. These significant accounting policies relate to revenue recognition, valuation of inventory and commitments and contingencies. These policies, and the Company's procedures related to these policies, are described in detail below.

A. Revenue Recognition

We sell our products directly through our sales force and through distributors. Revenue from direct sales of our product is recognized upon shipment to the customer. Our product requires continuing service or post contract customer support and performance by us, and accordingly a portion of the revenue is deferred based on its fair value and recognized ratably over the period in which the future service, support and performance are provided, which is generally one year. Currently, with respect to sales to distributors and sales of our IDentiScan products, we do not have enough experience to identify the fair value of each element and the full amount of the revenue and related gross margin is deferred and recognized ratably over the one-year period in which the future service, support and performance are provided.

During the third quarter of fiscal 2002, we began recognizing sales from the licensing of our technology to customers. Our licensing products require continuing service or post contract customer support and performance by us, and accordingly a portion of the revenue is deferred based on its fair value and recognized ratably over the period in which the future service, support and performance are provided, which is generally one year.

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B. Inventory Valuation

Our inventory consists primarily of its ID-Check terminals that run our patented software. The inventory was originally received December 1999. Shortly thereafter, it was returned to the manufacturer for upgrade and became available for sale in the fourth quarter of 2000. We periodically evaluate the current market value of our inventory, taking into account any technological obsolescence that may occur due to changes in hardware technology and the acceptance of the product in the marketplace. Even though we have had limited sales to date, we believe that a sufficient market exists to sell (with margin) the current inventory as well as the remaining units required to be purchased from our manufacturer for which we have paid a deposit of $600,000. The current terminal, for which this deposit was paid, is fully capable of running our patented software as it utilizes a state-of-the-art imager/scanner and magnetic stripe reader. However, since our policy is to periodically evaluate the market value of the inventory, should we determine in a future period that an adjustment is necessary, we would record such adjustment at that time, which could have a material effect on our results of operations. We are in discussions with our current manufacturer as well as other manufacturers to select a new platform to run our patented software. However, during the fourth quarter of 2002, we reserved 100% of this deposit due to the uncertainty of whether or not we will place the order to purchase the additional units from the manufacturer under the open purchase order or purchase units to fulfill future orders from a new platform once it is selected.

C. Commitments and Contingencies

We are currently involved in certain legal proceedings as discussed in the "Commitments and Contingencies" note in the Notes to the Financial Statements. We do not believe these legal proceedings will have a material adverse effect on our financial position, results of operations or cash flows. However, were an unfavorable ruling to occur, there exists the possibility of a material impact on the operating results of that period.

The above listing is not intended to be a comprehensive list of all of our accounting policies. In many cases, the accounting treatment of a particular transaction is specifically dictated by generally accepted accounting principles, with no need for management's judgment in their application. There are also areas in which management's judgment in selecting any available alternative would not produce a materially different result. See our audited financial statements and notes thereto which begin on page F-1 of this Annual Report on Form 10-K which contain accounting policies and other disclosures required by generally accepted accounting principles.

(c) Quarterly Results and Seasonality

The following table sets forth unaudited financial data for each of Intelli-Check's last eight fiscal quarters.

	Year Ended December 31, 2001				Year Ended	
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	First Quarter	Second Quarte
				(Dollars in thousands)		
Income Statement Data:						
Revenues	$ 205	$ 270	$ 280	$ 131	$ 254	$ 28
Gross profit	87	129	126	65	124	17
Loss from operations	(930)	(920)	(937)	(1,303)	(1,772)	(1,34
Net loss	(879)	(883)	(913)	(1,288)	(1,424)	(1,33
Net loss per share attributable to Common shareholders:						
Basic and diluted	(0.12)	(0.11)	(0.12)	(0.16)(1)	(0.17)	(0.1

(1) Basic earnings per share for fiscal 2001 in total exceeds by $0.01 the sum of the applicable amount for each of the quarters of fiscal 2001 due to the impact of stock issuances on the weighted average number of shares outstanding.

(2) During the fourth quarter, a reserve on inventory deposit of $600,000 was recorded.

We have not experienced seasonality in our sales volume or operating expenses.

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(d) Liquidity and Capital Resources

Prior to our IPO, which became effective on November 18, 1999, we financed our operations primarily through several private placements of stock and debt financings. We used the net proceeds of these financings for the primary purpose of funding working capital and general corporate purposes and for the purchase of hardware terminals. As a result of our IPO and the underwriters exercise of their over allotment option, we received approximately $6,907,000 in net proceeds after deducting underwriters commissions and offering expenses. During 2000, we received $3,426,374 from the issuance of common stock from the exercise of warrants and stock options. During 2001 and 2002, we received $3,231,174 and $1,742,466, respectively, from the issuance of common stock from the exercise of warrants, stock options and rights. In March 2003, we received net proceeds before legal expenses of $2,850,000, from the issuance of Convertible Preferred

Stock. We funded the purchase of hardware terminals for resale and working capital primarily from these proceeds. We will continue to use these proceeds to fund working capital.

Cash used in operating activities for the year ended December 31, 2002 of $3,771,132 resulted primarily from the net loss of $5,550,234 and an increase in other current assets of $502,890 primarily resulting from a $400,000 deposit for future purchases of inventory, which was partially offset by a decrease in inventory of $365,849, amortization of deferred compensation of $713,051, depreciation and amortization of $451,581, a reserve on inventory deposit of $600,000 and an increase of deferred revenue of $197,347. Cash used in operating activities for the year ended December 31, 2001 of $2,966,437 resulted primarily from the net loss of $3,962,931, a net decrease in deferred revenues of $344,381 which was partially offset by an increase in accounts payable and accrued expenses of $426,651, a decrease in inventory of $367,650, and a net decrease in other current assets of $164,758 primarily consisting of the related deferred costs of revenues and increased by deposits of $200,000 for future purchases of inventory. The increase in accounts payable and accrued expenses for 2001 was attributable to certain large invoices received toward the end of 2001. Cash used in investing activities was $29,187 for the year ended December 31, 2002 and $193,824 for the year ended December 31, 2001. Net cash used in investing activities for both periods consisted primarily of capital expenditures for computer equipment and furniture and fixtures. Cash provided by financing activities was $1,649,663 for the year ended December 31, 2002 and $3,129,807 for the year ended December 31, 2001 and was primarily related to the exercise of outstanding warrants, stock options and rights.

In March 2001, we declared a dividend distribution of one non-transferable right to purchase one share of our common stock for every 10 outstanding shares of common stock continuously held from the record date to the date of exercise, as well as common stock underlying vested stock options and warrants, held of record on March 30, 2001, at an exercise price of $8.50. The rights were due to expire on October 4, 2002, which was one year after the effective date of the registration statement related to the shares of common stock underlying the rights. We extended the expiration date until April 4, 2003 and further extended the rights until December 31, 2003. We have the right to redeem the outstanding rights for $.01 per right under certain conditions, which were not met as of March 26, 2003. We have reserved 970,076 shares of common stock for future issuance under this rights offering. As of December 31, 2002, we received $2,444,549 before expenses from the exercise of 287,594 of these rights.

During the year ended December 31, 2002, we received net proceeds of $829,600 from the exercise of 1,250 warrants and 273,700 options. As of December 31, 2002, there remained warrants outstanding to purchase 10,000 shares of the Company's common stock as an exercise price of $8.40.

In March 2001, our Board of Directors authorized, subject to certain business and market conditions, the purchase of up to $1,000,000 of our common stock. As of December 31, 2002, we purchased 20,000 shares totaling approximately $123,000 and subsequently retired these shares. We do not expect to purchase additional shares unless certain conditions warrant it.

On March 27, 2003, pursuant to a Securities Purchase Agreement, we sold 30,000 shares of our Series A 8% Convertible Preferred Stock, par value $.01 per share for $3,000,000 before expenses to Gryphon Master Fund, L.P. Each preferred share entitles the holder to receive dividends of 8% per annum and is convertible into 15.1515 shares of our common stock. Additionally, each share of Preferred Stock will receive one (1) five year warrant to purchase 3.787875 shares of common stock at a price of $6.78. The total amount of shares that may be issued upon conversion and the exercising of the warrants are 454,545 and 113,636 shares, respectively. The Company must redeem all of the Preferred Stock outstanding on the fifth anniversary of the closing date at a redemption price, in cash, equal to the purchase price of the Preferred Stock.

Our operating expenses for 2003 are projected to be approximately $5,900,000 compared to the reported expenses of approximately $6.6 million for 2002, which included non-cash expenses of approximately $1.8 million. The projected decrease is primarily related to the reduction of the non-cash expenses relating to the reserve on inventory deposit recorded in 2002. For 2002, the Company's cash expense burn rate was approximately $400,000 per month and we expect that it will not materially change for 2003, except for potential dividend payment due under the March 2003 financing. We currently anticipate that our available cash in hand, cash resources from expected revenues from the sale of the units in inventory, cash resources collected from the issuance of Convertible Preferred Stock combined with the expected exercise of the options by our option holders will be sufficient to meet our anticipated working capital and capital expenditure requirements for at least the next twelve months. These requirements are expected to include the purchase of inventory, product development, sales and marketing, working capital requirements and other general corporate purposes. We may need to raise additional funds, however, to respond to business contingencies which may include the need to fund more rapid expansion, fund additional marketing expenditures, develop new markets for our ID-Check technology, enhance our operating infrastructure, respond to competitive pressures, or acquire complementary businesses or necessary technologies.

Below is a table, which presents our contractual obligations and commitments at December 31, 2002:

Payments Due by Period

Contractual Obligations	Total	Less than One Year	1-3 years	4-5 years	After
Capital Lease Obligations	$19,999	$19,572	$427	--	-
Operating Leases	2,123,329	255,617	741,800	$540,886	$58
Purchase commitments (1)	0	--	--	--	-
Employment contracts	839,000	463,800	375,200	--	-
Total Contractual Cash Obligation	$2,992,420	$746,458	$1,120,050	$540,886	$58

(1) We paid the manufacturer $600,000 through April 1, 2002, as an advance inventory deposit towards the open purchase order of approximately 2,850 ID-Check units.

(e) Net Operating Loss Carry Forwards

As of December 31, 2002, we had a net operating loss carry forward of approximately $16,000,000, which expires beginning in the year 2013. The issuance of equity securities in the future, together with our earlier financings and our IPO, could result in an ownership change and, thus could limit our use of our prior net operating losses. If we achieve profitable operations, any significant limitation on the utilization of our net operating losses would have the effect of increasing our tax liability and reducing net income and available cash reserves. We are unable to determine the availability of these net- operating losses since this availability is dependent upon profitable operations, which we have not achieved in prior periods; therefore we have recorded a full valuation allowance for the benefit from the net-operating losses.

Forward Looking Statements

The foregoing contains certain forward-looking statements. Due to the fact that our business is characterized by rapidly changing technology, high capital requirements and an influx of new companies trying to respond to enhanced security needs as a result of current events, actual results and outcomes may differ materially from any such forward looking statements and, in general are difficult to forecast.

Item 7a. Quantitative and Qualitative Disclosures About Market Risk

None

Item 8. Financial Statements

Financial Statements are attached hereto following page F-1.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Grant Thornton LLP has been selected as our independent public accountants for the current year and examined our financial statements for the year ended December 31, 2002. On June 6, 2002, Arthur Andersen LLP was dismissed and Grant Thornton was engaged as our principal independent public accountants. The decision to change accountants was approved by the Board of Directors upon the recommendation of the Audit Committee. The reports of Arthur Andersen LLP for the years ended December 31, 2000 and 2001 did not contain any adverse opinion or disclaimer of opinion, nor were they qualified as to uncertainty, audit scope or accounting principles. During our fiscal years ended December 31, 2000 and 2001 and the subsequent interim period through June 6, 2002, there were no disagreements with Arthur Andersen LLP on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedures, which disagreements, if not resolved to the satisfaction of Arthur Andersen LLP, would have caused them to make reference thereto in their reports on the financial statements for those years.

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PART III

Item 10. Directors and Executive Officers of the Company

As of March 26, 2003, the Company's directors and executive officers were as follows:

Name and Age		Position With the Company And Principal Occupation	Held Of
Frank Mandelbaum,	69	Chairman, Chief Executive Officer and Director	

Edwin Winiarz,	45	Senior Executive Vice President, Treasurer, Chief Financial Officer and Director
W. Robert Holloway,	63	Senior Executive Vice President, Sales
Russell T. Embry,	39	Senior Vice President and Chief Technology Officer
Evelyn Berezin,	77	Director
Charles McQuinn,	62	Director
Jeffrey Levy,	61	Director
Howard Davis,	47	Director
Arthur L. Money,	63	Director

Business Experience

Frank Mandelbaum has served as our Chairman of the Board and Chief Executive Officer since July 1, 1996. He also served as Chief Financial Officer until September 1999. From January 1995 through May 1997, Mr. Mandelbaum served as a consultant providing strategic and financial advice to Pharmerica, Inc. (formerly Capstone Pharmacy Services, Inc.), a publicly held company. Prior to January 1995, Mr. Mandelbaum was Chairman of the Board, Chief Executive Officer and Chief Financial Officer of Pharmerica, Inc. From July 1994 through December 1995, Mr. Mandelbaum served as Director and Chairman of the Audit and Compensation Committees of Medical Technology Systems, Inc., also a publicly held company. From November 1991 through January 1995, Mr. Mandelbaum served as Director of the Council of Nursing Home Suppliers, a Washington, D.C. based lobbying organization. From 1974 to date, Mr. Mandelbaum has been Chairman of the Board and President of J.R.D. Sales, Inc., a privately held financial consulting company. As required by his employment agreement, Mr. Mandelbaum devotes substantially all his business time and attention to our business.

Edwin Winiarz was elected Senior Executive Vice President in July 2000 and a director in August 1999 and became Executive Vice President, Treasurer and Chief Financial Officer on September 7, 1999. From July 1994 until August 1999, Mr. Winiarz was Treasurer and Chief Financial Officer of Triangle Service Inc., a privately held national service company. From November 1990 through July 1994, Mr. Winiarz served as Vice President Finance/Controller of Pharmerica, Inc. (formerly Capstone Pharmacy Services, Inc.). From March 1986 until November 1990, Mr. Winiarz was a manager with the accounting firm of Laventhal & Horwath. Mr. Winiarz is a certified public accountant and holds an MBA in management information systems from Pace University.

Russell T. Embry was elected Senior Vice President and Chief Technology Officer in July 2001 and was Vice President, Information Technology, since July 1999. From January 1998 to July 1999, Mr. Embry was Lead Software Engineer with RTS Wireless. From April 1995 to January 1998, he served as Principal Engineer at GEC-Marconi Hazeltine Corporation. From August 1994 through April 1995, he was a staff software engineer at Periphonics Corporation. From September 1989 to

August 1994, Mr. Embry served as Senior Software Engineer at MESC/Nav-Com. From July 1985 through September 1989, he was a software engineer at Grumman Aerospace. Mr. Embry holds a B.S. in Computer Science from Stony Brook and an M.S. in Computer Science from Polytechnic University, Farmingdale.

W. Robert Holloway was elected Senior Executive Vice President in July 2000 and was Vice President, Sales from October 1999 to July 2000. From April 1999 to October 1999, Mr. Holloway was Director of Sales for The IdentiScan Company LLC. In February and March 1999, Mr. Holloway worked as an independent consultant. From August 1996 to January 1999, Mr. Holloway was Global Sales Manager for Welch Allyn, Inc. From October 1994 to July 1996, Mr. Holloway was Vice President and Sales Manager of Bowne & Company of New York. Mr. Holloway holds an AB in economics from Columbia University and an MBA in finance from Boston University.

Evelyn Berezin was elected a director in August 1999. She has been, since October 1987, an independent management consultant to technology based companies. From July 1980 to September 1987, Ms. Berezin was President of Greenhouse Management Company, a venture capital fund dedicated to investment in early-phase high-technology companies. Ms. Berezin holds an AB in Physics from New York University and has held an Atomic Energy Commission Fellowship. Ms. Berezin has served on the boards of a number of public companies including Bionova Corp., Cigna Corp., Datapoint Corp., Koppers Company, Inc. and Genetic Systems Inc., as well as more than fourteen private technology-based companies.

Howard Davis was appointed a non-voting advisor to the Board in December 1999 and elected a director in March 2000. He has been, since 1997, Executive Vice President of GunnAllen Financial Inc., where he is the executive responsible for the investment banking and finance division. From 1990 to 1997 Mr. Davis was President and Chief Executive Officer of Kensington Securities, Inc. In 1997, Kensington and GunnAllen joined together. Mr. Davis has also served as President of Wentworth Securities, Inc. from 1988 to 1990 and prior to that as President of Numero Uno Franchise Corporation. He has attended the University of Southern California, California State University, Northridge and Kent State University where he majored in Finance and Accounting.

Jeffrey Levy was elected a director in December 1999. He has been, since February 1977 President and Chief Executive Officer of LeaseLinc, Inc., a third-party equipment leasing company and lease brokerage. Prior to 1977 Mr. Levy served as President and Chief Executive Officer of American Land Cycle, Inc. and Goose Creek Land Cycle, LLC, arboreal waste recycling companies. During that time he also served as Chief Operating Officer of ICC Technologies, Inc. and AWK Consulting Engineers, Inc. Mr. Levy has had a distinguished career as a member of the United States Air Force from which he retired as a colonel in 1988. He serves as a board member of the Northern Virginia Chapter of Mothers Against Drunk Driving, the Washington Regional Alcohol Program, the Zero Tolerance Coalition and the National Drunk and Drugged Driving Prevention Month Coalition and is a member of the Virginia Attorney General's Task Force on Drinking by College Students and MADD's National Commission on Underage Drinking. Mr. Levy holds a BS in International Relations from the United States Air Force Academy, a graduate degree in Economics from the University of Stockholm and an MBA from Marymount University.

Charles McQuinn was elected a director in August 1999. He has been, since 1997, an independent product development/marketing consultant to Internet based companies. Mr. McQuinn has also served as CEO of The McQuinn Group, Inc., a system integration and institutional marketing company, from November 1998 to the present. From 1995 to 1997, Mr. McQuinn was President of DTN West, a fixed income price quote company with products for banks and governments. From 1990 to 1995, Mr. McQuinn was President of Bonneville Market Information, an equities price quote company with products for traders and brokers. From 1985 to 1990, Mr. McQuinn was President of Bonneville Telecommunications Company, a satellite video and data company. Prior to 1985, he was with Burroughs Corporation in various product development/marketing/management positions. Mr. McQuinn holds a BS in marketing from Ball State University and an MBA in management from Central Michigan University.

Arthur L. Money was elected a director in February 2003. Mr. Money was confirmed by the Senate and served as the Assistant Secretary of Defense for Command, Control, Communications and Intelligence from 1999 to 2001 and was also the Chief Information Officer for the Department of Defense from 1998 until 2001. He prior served as the Senior Civilian Official, Office of the Assistant Secretary of Defense, from 1998 to 1999 and was earlier confirmed by the Senate as Assistant Secretary of the Air Force for Research, Development and Acquisition and was their Chief Information Officer, from 1996 to 1998. Mr.

Money currently serves as a member of the advisory board of several corporations including the Boeing Company (NYSE: BA). He also serves on the Board of Directors of numerous companies including Silicon Graphics, Inc. (NYSE: SGI) and CACI International (NYSE: CAI) and has been recognized for his vision, leadership and commitment to excellence in systems and process re-engineering. Mr. Money, who holds a Master of Science Degree in Mechanical Engineering from the University of Santa Clara (Calif.) and a Bachelor of Science Degree in Mechanical Engineering from San Jose (Calif.) State University also currently serves on several U.S. Government Boards and Panels such as NIMA Advisory Board, Defense Science Board, US Air Force AC2ISR Center Advisory Board and the US Navy "DSAP" Special Advisory Panel. Prior to his government service, he had a distinguished business career having served as President of ESL Inc., a subsidiary of TRW, Inc., from 1990 to 1994 prior to its consolidation with its Avionics and Surveillance Group when he became Vice President and Deputy General Manager of the Group.

Directors serve for staggered terms of 3 years and hold office until the next annual meeting, following the conclusion of their term, of stockholders and the election and qualification of their successors. Executive officers are elected by and serve at the discretion of the board of directors.

Board Committees

The board of directors has established a compensation committee which is currently comprised of Mr. Levy, chairman, Mr. Davis and Mr. Money. The compensation committee reviews and determines the compensation for all officers and directors of our company and reviews general policy matters relating to the compensation and benefits of all employees. The compensation committee also administers the stock option plans.

The board of directors has established an audit committee which is currently comprised of Mr. Davis, chairman, Mr. McQuinn and Ms. Berezin. The audit committee recommends to the board of directors the annual engagement of a firm of independent accountants and reviews with the independent accountants the scope and results of audits, our internal accounting controls and audit practices and professional services rendered to us by our independent accountants.

The board of directors has established a corporate governance committee, which is comprised of Mr. McQuinn, chairman, Ms. Berezin and Mr. Levy. The corporate governance committee reviews our internal policies and procedures and by-laws and acts as our nominating committee for the Board of Directors.

The technology oversight committee was eliminated in July 2002. The technology oversight committee assisted management in planning future development of products and services within the framework of consumer, regulatory and competitive environments. This committee also monitored actions taken to protect our intellectual property and recommended appropriate actions in furtherance of that protection.

Compliance with Section 16(a) of the Exchange Act

The Securities and Exchange Commission has adopted rules relating to the filing of ownership reports under Section 16 (a) of the Securities Exchange Act of 1934. One such rule requires disclosure of filings, which under the Commission's rules, are not deemed to be timely. During the review, it was determined that although Paul Cohen did not file timely his sales of shares during the month of September, such failure was remedied by the reporting of those sales in October and all other transactions were timely filed thereafter.

Item 11. Executive Compensation

The following table sets forth compensation paid to executive officers whose compensation was in excess of $100,000 for any of the three fiscal years ended December 31, 2002. No other executive officers received total salary and bonus compensation in excess of $100,000 during any of such fiscal years.

SUMMARY COMPENSATION TABLE

		Annual Compensation	Long-Ter Compensa Securiti Underlyi
Name and Principal Position	Year(s)	*Salary ($)	Options/
Frank Mandelbaum	2002	225,000	350,000
Chairman & CEO	2001	204,808	
	2000	150,000	--
Edwin Winiarz	2002	135,000	
Senior Executive Vice President	2001	128,333	75,000
Chief Financial Officer	2000	125,000	25,000
W. Robert Holloway	2002	115,000	
Senior Executive Vice President	2001	115,000	
Sales	2000	115,000	--
Russell T. Embry	2002	150,000	12,500
Senior Vice President	2001	133,750	--
Chief Technology Officer	2000	104,052	25,000
Kevin Messina	2001	52,500	
Former Senior Executive Vice President	2000	150,000	--
Former Chief Technology Officer			

*Salaries include all deferred salaries paid and accrued.

The options shown above were granted under the 1998, 1999 and 2001 Stock Option Plans as well as outside these plans and are exercisable as follows: (1) for Frank Mandelbaum at $12.10 per share; (2) for Edwin Winiarz 25,000 options at an exercise price of $10.75 and 75,000 options at an exercise price of $8.04 exercisable on September 7, 2006 and (3) Russell T. Embry 25,000 options at an exercise price of $8.75 and 12,500 options at an exercise price of $3.82. All options expire five years after the date of vesting.

Messrs. Mandelbaum and Messina had Employment Agreements expiring December 31, 2001, which provided for base annual salaries of $225,000, subject to specified conditions. Because of our limited resources, Messrs. Mandelbaum and Messina had from time to time agreed to defer the receipt of substantial portions of their salaries. In May 1999, Mr. Mandelbaum's deferred salary was reduced by $150,000 by the issuance to him of 75,000 shares of our common stock and warrants entitling him to purchase an additional 75,000 shares of our common stock at a price of $3.00 per share at any time prior to May 3, 2001. In May 1999, Mr. Messina's deferred salary was reduced by $10,126 through the issuance to him of 5,063 shares of our common stock and warrants to purchase 5,063 shares of our common stock at a purchase price of $3.00 per share at any time prior to May 3, 2001. As of June 30, 1999, Mr. Mandelbaum's deferred salary was approximately $375,000 and Mr. Messina's deferred salary was approximately $200,000. In June 1999, Mr. Messina received, in lieu of all deferred salary,

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options to purchase 207,000 shares of common stock at an exercise price of $3.00 per share which were exercised in 2002. Also in June 1999, Mr. Mandelbaum received, in lieu of all deferred salary, options to purchase 375,000 shares of common stock at an exercise price of $3.00 per share.

Mr. Kevin Messina resigned as Senior Executive Vice President and Chief Technology Officer in May 2001.

All the options granted in exchange for deferred salary expire five years after the date of grant.

The following table summarizes options granted during the year ended December 31, 2002 to the named executive officers:

	Individual Grants				Potential
	Number of Securities Underlying Options	% of Total Options Granted To Employees In 2002			Assumed A Sto Appreciatio
Name	Granted	Fiscal Year	Exercise Price	Expiration Date	5%
Russell T. Embry	12,500	3.1%	$ 3.82	10/31/07	
Frank Mandelbaum	350,000	80.1%	$ 12.10	02/01/07	$1,

The following table summarizes unexercised options granted through the year-end December 31, 2002 to the named executive officers:

Name	No. of Shares Received Upon Exercise	Aggregate Dollar Value Received Upon Exercise	No. of Securities Underlying Unexercised Options / Warrants		Value I Opt Yea
			Exercisable	Unexercisable	Exercisa
Frank Mandelbaum Chairman & CEO			700,000	150,000	$1,950,0

Ed Winiarz Senior Executive VP CFO	60,000	75,000	$66,50
W. Robert Holloway Senior Executive VP Sales	20,000	30,000	
Russell T. Embry Senior VP & CTO	76,500	6,250	$19,250

Pursuant to their employment agreements, Messrs. Mandelbaum and Messina each received a grant in August 1999 of options to purchase 75,000 shares of our common stock at a purchase price of $3.00 per share. Mr. Mandelbaum has options to purchase 50,000 shares of common stock, which are currently exercisable. Options to purchase 25,000 shares of our common stock became exercisable on January 1, 2002. The options expire five years from the date of grant. Kevin Messina exercised 50,000 options on October 5, 2001 and options to purchase 25,000 shares for Mr. Messina expired as a result of his resignation. During the years ended December 31, 2001 and December 31, 2002, we granted employees other than the executive officers named above options to purchase 32,750 shares and 150,500 shares respectively, of common stock under the 1998, 1999 and 2001 Stock Option Plans and non plan.

The amounts shown as potential realizable value represent hypothetical gains that could be achieved for the respective options if exercised at the end of the option term. The 5% and 10% assumed annual rates of compounded stock price appreciation are mandated by rules of the Securities and Exchange Commission and do not represent our estimate or projection of our future common stock prices. These amounts represent certain assumed rates of appreciation in

the value of our common stock from the fair market value on the date of grant. Actual gains, if any, on stock option exercises are dependent on the future performance of the common stock and overall stock market conditions. The amounts reflected in the table may not necessarily be achieved.

Compensation of Non-Employee Directors

Non-employee directors receive a fee of $500 for attending board meetings and $250 for attendance at such meetings telephonically. They also receive a fee of $300 for each committee meeting held on a date other than that of a board meeting and are reimbursed for expenses incurred in connection with the performance of their respective duties as directors. In August 1999, non-employee directors, Messrs. Paul Cohen and McQuinn and Ms. Berezin, each received a grant of a non- qualified stock option to purchase an aggregate of 45,000 shares of our common stock upon their election as a director at an exercise price of $3.00 per share. Of these options, 15,000 were immediately exercisable and an additional 15,000 became exercisable in July 2000 and the remaining 15,000 became exercisable in July 2001. On December 13, 1999, Mr. Levy and Mr. Davis were each granted non-qualified options to purchase 15,000 shares of our common stock at an exercise price of $11.625, the fair market value on the date of grant. These options were immediately exercisable. In addition, in July 2000 they were each granted non-qualified options to purchase an aggregate of 30,000 shares of our common stock for serving as a director at an exercise price of $8.25 per share. Of these options, 15,000 were immediately exercisable and 15,000 were exercisable in July 2001. In July 2001, Mr. Davis was granted non-qualified options to purchase 15,000 shares of our common stock at an exercise price of $10.15 exercisable on the date of our next annual meeting. In addition, Mr. McQuinn was granted non-qualified options to purchase 30,000 shares of our common stock at an exercise price of $10.15. Of these options, 15,000 are exercisable in 2002 and the balance are exercisable in 2003 on the date of our annual meeting during these years. In July 2002, Ms. Berezin and Mr. Cohen were granted non-qualified options to purchase 45,000 shares of our common stock for serving as a director at an exercise price of $2.80 per share. Of these options, 15,000 were immediately exercisable with an additional 15,000 becoming exercisable on each of the next two anniversaries of the date of grant provided that they remain as Directors.

During 2001, Mr. Davis exercised 15,000 of his options and earned compensation of $138,300, Mr. McQuinn exercised 1,000 of his options and earned compensation of $6,800 and Ms. Berezin exercised 500 of her options and earned compensation of $3,938. During 2002, Mr. Davis exercised 200 of his options and earned compensation of $2,320. Options granted to non-employee directors are exercisable only during the non-employee director's term and automatically expire on the date his or her service terminates. Mr. Paul Cohen had previously been granted options to purchase 30,000 shares of common stock exercisable at $3.00 per share. Mr. Cohen also received an option to purchase 50,000 shares of common stock exercisable at $3.00 per share in connection with a one-year consulting agreement dated November 1, 1997 which was exercised during 2002. As a result of Mr. Paul Cohen's resignation on February 3, 2003, all of his remaining vested options expire 90 days from his resignation.

During 2003, Mr. Arthur Money was appointed to the Board of Directors and was granted non-qualified options to purchase 45,000 shares of our common stock for serving as a director at an exercise price of $6.40 per share. Of these options, 15,000 were immediately exercisable with an additional 15,000 becoming exercisable on each of the next two of our annual meetings provided that they remain as Directors. Mr. Money also received an option to purchase 1,500 shares of common stock exercisable at $6.22 per share in connection with his appointment to the compensation committee on March 17, 2003. Prior to becoming a Director, he received on November 7, 2001an option to purchase 10,000 shares of common stock exercisable at $15.13 in connection with providing certain consulting services. In addition, on March 17, 2003, Mr. Levy received options to purchase 1,000 shares of common stock exercisable at $6.40 per share for being appointed the Chairman of the compensation committee.

In addition, non-employee directors who are members of a committee are entitled to receive grants of stock options for each year served. Each chairperson of a committee receives options to purchase 2,500 shares of our common stock, while a committee member receives options to purchase 1,500 shares of our common stock. In March 2000, July 2000, July 2001 and July 2002 the following non-qualified options were granted to committee chairpersons:

Name	Committee	Number of Options			
		March 2000	July 2000	July 2001	July 2002
Ms. Berezin	Audit	2,500	2,500	2,500	2,500
Mr. McQuinn	Corporate Governance	2,500	2,500	2,500	2,500
Mr. Levy	Technology Oversight	2,500	2,500	2,500	-----
Mr. Davis	Compensation		2,500	2,500	2,500

The following non-qualified options were granted to committee members:

Name Committee(s) Number of Options

		March 2000	July 2000	July 2001	July 2002
Mr. Cohen	Compensation, Audit	3,000	1,500	1,500	1,500
Ms. Berezin	Corporate Governance, Technology Oversight	3,000	3,000	3,000	1,500
Mr. McQuinn	Audit, Technology Oversight	3,000	3,000	3,000	1,500
Mr. Levy	Corporate Governance, Compensation		3,000	3,000	3,000
Mr. Davis	Audit	1,500	1,500	1,500	1,500

These options are exercisable at $12.125 for options granted in March 2000, $8.75 for options granted in July 2000, $10.15 for options granted in July 2001 and $2.80 for options granted in July 2002, the fair market value on the date of grant, are immediately exercisable during the committee members term and expire five years from date of grant.

Employment Contracts, Termination of Employment and Change-in-Control Arrangements

Effective January 1, 1999, Mr. Mandelbaum and Mr. Messina each entered into a three-year employment agreement with Intelli-Check. Each of the agreements provided for a base salary of $225,000. However, until such time as we received payment for gross sales of at least $1,000,000, which occurred in April 2001, the salaries were capped at $150,000. The agreements also provided for the payment of a bonus if our sales exceed $2,000,000 in the previous year. The bonus would have been in the amount of $50,000 plus 1% of the amount of sales in excess of $2,000,000 in each year. In addition, for each fiscal year ending during the term of the employment agreements, we were obligated to grant to each of the executives an option to purchase the greater of 25,000 shares of our common stock at fair market value on the date of grant or 10,000 shares of our common stock at fair market value on the date of grant for each full $250,000 by which pre-tax profits for each year exceeded pre-tax profits for the prior fiscal year. However, we were not required to grant options to purchase more than 150,000 shares of our common stock with respect to any one fiscal year. During the terms of their agreements, no bonuses were earned.

On May 7, 2001, our board of directors accepted the resignation of Kevin Messina. Accordingly, all of the obligations under the employment agreement, including the payment of salary and incentives, ceased as of this date.

On February 1, 2002, we entered into a new three-year employment contract with its Chairman and Chief Executive Officer, effective January 1, 2002. The agreement provides for an annual base salary of $250,000. In addition, we granted to the Chairman and Chief Executive Officer an option to purchase 350,000 shares of common stock, of which 125,000 options are immediately exercisable at $12.10 per share and 225,000 options become exercisable at a rate of 75,000 per year on December 31, 2002, 2003 and 2004.

If there shall occur a change of control, as defined in the employment agreement, the employee may terminate his employment at any time and be entitled to receive a payment equal to 2.99 times his average annual compensation, including bonuses, during the three years preceding the date of termination, payable in cash to the extent of three months salary and the balance in shares of our common stock based on a valuation of $2.00 per share. Included within the definition of change of control is the first day on which a majority of the directors of the company do not consist of individuals recommended by Mr. Mandelbaum and one outside director.

We had entered into a two-year employment agreement with Mr. Winiarz, which became effective on September 7, 1999. The agreement provided for a base salary of $125,000. In addition, we granted Mr. Winiarz an option to purchase 50,000 shares of common stock, of which 30,000 options were immediately exercisable at $5.00 per share and 20,000 options became exercisable on September 7, 2000 at $5.00 per share.

On September 7, 2001, we renewed the employment agreement with Mr. Winiarz. The agreement, which expires December 31, 2004, provides for a base salary of $135,000 with annual increases of 5% per annum. In addition, we granted 75,000 stock options at an exercise price of $8.04 vesting on September 7, 2006 with earlier vesting incentives.

We entered into a two-year employment agreement with Mr. Holloway, which became effective on October 25, 1999. The agreement provides for a base salary of $115,000. In addition, we granted Mr. Holloway an option to purchase 50,000 shares of common stock at $7.50 per share, of which 20,000 shares are immediately exercisable and 5,000 shares become exercisable for each 10,000 sales of ID-Check products sold that exceed 10,000. The maximum options that can be earned in any calendar year may not exceed 100,000. Any options earned above the initial 50,000 options will be at fair market value on the date of grant. Upon the expiration of this agreement, we renewed the agreement for an additional two years under the same terms and conditions.

Under the terms of the agreements, each of the executives has the right to receive his compensation in the form of shares of common stock valued at 50% of the closing bid price of our shares of common stock as of the date of the employee's election, which is to be made at the beginning of each quarter. In addition, each of the employment agreements requires the executive to devote substantially all his time and efforts to our business and contains non-competition and nondisclosure covenants of the officer for the term of his employment and for a period of two years thereafter. Each employment agreement provides that we may terminate the agreement for cause.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Equity Compensation Plan Information

Plan Category	Number of Securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of securities for future issuan compensation plans (e reflected in (c)
Equity compensation plans approved by security holders	1,318,866	$7.96	281
Equity compensation plans not approved by security holders	1,015,000	$7.59	-

Total

The following table sets forth, as of December 31, 2002 certain information regarding beneficial ownership of Intelli-Check's common stock by each person who is known by us to beneficially own more than 5% of our common stock. The table also identifies the stock ownership of each of our directors, each of our officers, and all directors and officers as a group. Except as otherwise indicated, the stockholders listed in the table have sole voting and investment powers with respect to the shares indicated.

Unless otherwise indicated, the address for each of the named individuals is c/o Intelli-Check, Inc., 246 Crossways Park West, Woodbury, NY 11797-2015.

Shares of common stock which an individual or group has a right to acquire within 60 days pursuant to the exercise or conversion of options, warrants or other similar convertible or derivative securities are deemed to be outstanding for the purpose of computing the percentage ownership of such individual or group, but are not deemed to be outstanding for the purpose of computing the percentage ownership of any other person shown in the table.

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The applicable percentage of ownership is based on 8,875,302 shares outstanding as of December 31, 2002.

Name	Shares Beneficially Owned	Percent
Frank Mandelbaum	1,327,400	13.72
Edwin Winiarz	63,500	*
W. Robert Holloway	24,200	*
Russell T. Embry	71,250	*
Paul Cohen	171,200	1.91
Evelyn Berezin	84,550	*
Charles McQuinn	84,600	*
Jeffrey Levy	68,250	*
Howard Davis	64,800	*
Todd Cohen	940,800	10.37
Empire State Development***, formerly New York State Science and Technology Foundation	605,000	6.42
All Executive Officers & Directors as a group (10 persons)	1,959,750	20.67

* Indicates beneficial ownership of less than one percent of the total outstanding common stock.
** The person who exercises the voting power is the CFO who, at the present time, is Frances A. W

The amounts shown for Mr. Mandelbaum do not include 24,900 shares and 2,490 rights held by Mr. Mandelbaum's wife, for which Mr. Mandelbaum disclaims beneficial ownership.

The amounts shown for Mr. Paul Cohen do not include 50,500 shares and 5,050 rights held by Mr. Cohen's wife and daughter, for which Mr. Cohen disclaims beneficial ownership.

Mr. Todd Cohen's address is P.O. Box 20054, Huntington Station, New York 11746.

Due to recent legislation, all assets of the New York State Small Business Technology Investment Fund, which were located in the New York State Science and Technology Foundation, were transferred to The Urban Development Corporation d/b/a Empire State Development. The Commissioner of Empire State Development is Charles A. Gargano. The members of the Board of Directors are Charles A. Gargano, J. Patrick Barrett, Charles E. Dorkey, III, David Feinberg, Anthony Gioia, Deborah Weight and Elizabeth McCaul. The address for that fund is 633 Third Avenue, New York, NY 10017.

The amounts shown in the table above for the following persons include the right to acquire the number of shares shown pursuant to currently exercisable stock options, and/or warrants and/or rights at the exercise price shown:

Name	Number of Shares	Exercise Price
Frank Mandelbaum	500,000	$3.00
	200,000	$12.10
	102,100	$8.50
Edwin Winiarz	35,000	$5.00
	25,000	$10.75
	3,500	$8.50
Russell T. Embry	20,000	$7.50
	20,000	$11.625
	25,000	$8.75
	5,250	$8.50
	6,250	$3.82

Name	Number of Shares	Exercise Price
W. Robert Holloway	20,000	$7.50
	2,200	$8.50
Paul Cohen	60,000	$3.00
	3,000	$12.125
	1,500	$8.75
	1,500	$10.15
	11,200	$8.50
	16,500	$2.80
Evelyn Berezin	44,500	$3.00
	5,500	$12.125
	5,500	$8.75
	5,500	$10.15
	4,050	$8.50

	19,000	$2.80
Charles McQuinn	44,000	$3.00
	5,500	$12.125
	5,500	$8.75
	5,500	$10.15
	4,100	$8.50
	4,000	$2.80
Jeffrey Levy	15,000	$11.625
	2,500	$12.125
	1,500	$8.00
	35,500	$8.75
	5,500	$10.15
	3,950	$8.50
Howard Davis	15,000	$11.625
	2,500	$8.000
	1,500	$12.125
	14,800	$8.75
	18,000	$10.15
	3,800	$8.50
	4,000	$2.80
Arthur L. Money	10,000	$15.13
	15,000	$6.40
Todd Cohen	110,000	$3.00
	86,000	$8.50

Item 13. Certain Relationships and Related Transactions

In October 1994, Messrs. Todd Cohen and Kevin Messina co-founded Intelli-Check and each purchased 975,000 shares of common stock for $975. In April 1998, Mr. Todd Cohen resigned as an officer of our company for personal reasons and in August 1999, he completed his term as a director. In May 2001, Mr. Messina resigned as an officer of our company to pursue other opportunities and in July 2001, he completed his term as a director.

In June 1996, Mr. Messina's company, K.M. Software, assigned two copyrights covering certain software employed by ID-Check and a patent application covering the ID-Check technology to Intelli-Check for an agreement to pay $98,151 plus interest. The agreement also gave K.M. Software, or its successor, the right to reclaim the rights to the copyrights and the patent under certain specified conditions. In May 1999, the prior agreement was superseded and in exchange Mr. Messina received 69,937 shares of our common stock and warrants to purchase 69,937 shares of our common stock, at $3.00 per share, exercisable at any time prior to May 3, 2001. The May 1999 agreement provides for the payment by

Intelli-Check of royalties equal to 0.005% of gross sales from $2,000,000 to $52,000,000 and 0.0025% of gross sales in excess of $52,000,000. Also, in May 1999, Mr. Messina's deferred salary was reduced by $10,126 through the issuance to him of 5,063 shares of our common stock and warrants to purchase 5,063 shares of our common stock at a purchase price of $3.00 per share at any time prior to May 3, 2001. In June 1999, the balance of Mr. Messina's deferred salary was reduced to zero by the issuance of options to purchase 207,000 shares of our common stock at a purchase price of $3.00 per share at any time prior to June

30, 2004.

In June 1996, Frank Mandelbaum, Intelli-Check's Chief Executive Officer and Chairman of the Board of Directors, purchased 950,000 shares of common stock for $50,000. From time to time since then, Mr. Mandelbaum loaned money to Intelli-Check totaling $142,000. In November 1997, Mr. Mandelbaum converted his outstanding loans into 71,000 shares of our common stock and warrants to purchase 71,000 shares of our common stock at $3.00 per share, which he exercised on December 31, 2000. In May 1999, Mr. Mandelbaum's deferred salary was reduced by $150,000 through the issuance to him of 75,000 shares of our common stock and warrants to purchase 75,000 shares of our common stock at a purchase price of $3.00 per share, which were exercised in October 2001. In June 1999, Mr. Mandelbaum's deferred salary was reduced to zero by the issuance of options to purchase 375,000 shares of our common stock at an exercise price of $3.00 per share at any time prior to June 30, 2004.

In March 1997, one of our directors, Paul Cohen purchased 37,500 units consisting of one share of common stock and one warrant to purchase an additional share at $3.00 per share in connection with one of our private placements, for $75,000. He exercised the warrants in December 2000 and we received net proceeds of $112,500. In November 1997, Mr. Cohen received an option to purchase 50,000 shares of common stock exercisable at $3.00 per share in connection with a one-year consulting agreement which was exercised in November 2002 and we received $150,000. Also in November 1997, Mr. Cohen's wife purchased 25,000 units consisting of one share of common stock and one warrant to purchase an additional share of common stock for $3.00 in connection with one of our private placements for $50,000. Mrs. Cohen exercised the warrant in December 2000 and we received net proceeds of $75,000. In August 1999, Mr. Cohen purchased one unit in connection with our last private placement. The unit consisted of a promissory note having a principal amount of $50,000, which bore interest at the annual rate of 10% and a warrant to purchase 2,500 shares of our common stock for $3.00 per share which expired during 2002. The principal was repaid by us to Mr. Cohen in November 1999.

In June 1999, all deferred compensation due to Todd Cohen, our former President and director, was eliminated by the issuance of options to purchase 110,000 shares of common stock at an exercise price of $3.00 per share at any time prior to June 30, 2004.

Item 14. Controls and Procedures

Internal Controls.

We maintain a system of internal controls designed to provide reasonable assurance that: (i) transactions are executed in accordance with management's general or specific authorization; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles, and to maintain accountability for assets; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of the design and operation of the our internal controls and procedures. Such evaluation was conducted within the 90 days prior to the date of filing of this report. There have been no significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the date of such evaluation.

Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) that are designed (i) to collect the information we are required to disclose in the reports we file with the SEC, and (ii) to process, summarize and disclose this information within the time periods specified in the

rules of the SEC. Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures. Such evaluation was conducted within the 90 days prior to the date of filing of this report. Based on such evaluation, our Chief Executive and Chief Financial Officer have concluded that these procedures are effective.

Item 15. Principal Accountant Fees and Services

During fiscal year ended December 31, 2001 until September 6, 2002, our principal independent auditor was Arthur Andersen LLP. Thereafter, our principal independent auditor was Grant Thornton LLP. The services of each were provided in the following category and amount:

	Arthur Andersen LLP			Grant Thornton LLP	
	2001	2002		2001	2002
Audit Fees:	$63,500	$4,500	Audit Fee:	0	$56,000
Other Services:	$22,420	0	Other Services:	0	0

PART IV

Item 16. Exhibits and Reports on Form 8-K

(a) Exhibits. See index of exhibits annexed hereto.

(b) Reports on Form 8-K.

On September 6, 2002, the Company filed a report on Form 8-K to disclose Changes in Registrant's Certified Public Accountants from Arthur Andersen LLP to Grant Thornton LLP.

EXHIBIT INDEX

Exhibit No.	Description
1	Form of Underwriting Agreement (1)
3.1	Certificate of Incorporation of the Company (1)
3.2	By-laws of the Company (1)
3.3	Certificate of Designation of Preferred Stock of Intelli-Check, Inc.(7)

4.1 Specimen Stock Certificate (2)
4.2 Form of Underwriters' Warrant Agreement (1)
4.3 Warrant to Gryphon Master Fund LLP (7)
10.1 1998 Stock Option Plan (1) *
10.2 Employment Agreement between Frank Mandelbaum and the Company, dated as of January 1, 1999 (1) *
10.3 Employment Agreement between Kevin Messina and the Company, dated as of January 1, 1999 (1)*
10.4 Employment Agreement between Edwin Winiarz and the Company, dated as of July 21, 1999 (1) *
10.5 Agreement of Lease between the Company and Industrial and Research Associates, dated as of October 15, 2000 (5)
10.6 1999 Stock Option Plan (1) *
10.7 Development and Supply Agreement between the Company and Welch Allyn Data Collection Inc., dated July 9, 1999 (1)
10.8 Agreement between the Company and Northern Leasing Systems Inc., dated as of August 13, 1999 (1)
10.9 Employment Agreement between the Company and W. Robert Holloway, dated October 25, 1999 (1) *
10.10 Agreement between the Company and Kevin Messina, individually and d/b/a K.M. Software Development, dated as of May 3, 1999 (1) *
10.11 Memorandum of Understanding between AAMVAnet, Inc. and Intelli-Check, Inc. effective November 15, 2000 (5)
10.12 2001 Stock Option Plan (4)
10.13 Employment Agreement between Edwin Winiarz and the Company, dated as of September 7, 2001*
10.14 Employment Agreement between Frank Mandelbaum and the Company, dated as of February 1, 2002* (6)
10.15 Memorandum of Understanding between AAMVAnet, Inc. and Intelli-Check, Inc. effective January 29, 2002 (6)
10.16 Securities Purchase Agreement between Intelli-Check, Inc. and Gryphon Master Fund dated March 27, 2003.(7)
10.17 Registration Rights Agreement between Intelli-Check, Inc. and Gryphon Master Fund dated March 27, 2003.(7)
21 List of Subsidiaries (1)
23 Consent of Grant Thornton LLP (7)
99.1 Certifications of Chief Executive Officer (7)
99.2 Certifications of Chief Financial Officer (7)

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* Denotes a management contract or compensatory plan, contract or arrangement.

(1) Incorporated by reference to Registration Statement on Form Sb-2 (File No. 333-87797) filed September 24, 1999.
(2) Incorporated by reference to Amendment No. 1 to the Registration Statement filed November 1, 1999.
(3) Incorporated by reference to Amendment No. 2 to the Registration Statement filed November 15, 1999.
(4) Incorporated by reference to Registrant's Proxy Statement on Schedule 14A filed May 31, 2001.
(5) Incorporated by reference to Registrant's Annual Report on Form 10-K filed March 29, 2001
(6) Incorporated by reference to Registrant's Annual Report on Form 10-K filed March 29, 2002.
(7) Incorporated by reference to Registrant's Annual Report on Form 10-K filed March 31, 2003.

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the Registrant had duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: June 16, 2003

INTELLI-CHECK, INC.

By: /s/ Frank Mandelbaum

Frank Mandelbaum
Chairman, Chief Executive Officer
and Director

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Certification
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Frank Mandelbaum, certify that:

1. I have reviewed this Form 10-K of Intelli-Check, Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 12a-14 and 15d-14) for the registrant and we have:

(a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

(b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

(c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

(a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: June 16, 2003

/s/ Frank Mandelbaum

Name: Frank Mandelbaum
Title: Chief Executive Officer

Certification
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Edwin Winiarz, certify that:

1. I have reviewed this Form 10-K of Intelli-Check, Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 12a-14 and 15d-14) for the registrant and we have:

(a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

(b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

(c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our

most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

(a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: June 16, 2003

/s/ Edwin Winiarz

Name: Edwin Winiarz
Title: Chief Financial Officer

Certification
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), each of the undersigned officers of Intelli-Check, Inc. (the "Company"), does hereby certify, to such officer's knowledge, that:

The Annual Report on Form 10-K for the year ended December 31, 2002 of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 27, 2003

/s/ Frank Mandelbaum

Name: Frank Mandelbaum
Title: Chief Executive Officer

Dated: March 27, 2003

/s/ Edwin Winiarz

Name: Edwin Winiarz
Title: Chief Financial Officer

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and is not being filed as part of the Form 10-K or as a separate disclosure document.

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors and Stockholders of
Intelli-Check, Inc.

We have audited the accompanying balance sheet of Intelli-Check, Inc. as of December 31, 2002, and the related statements of operations, stockholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Intelli-Check, Inc. as of December 31, 2001 and for the years ended December 31, 2001 and 2000 were audited by other auditors who have ceased operations and whose report dated March 6, 2002, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Intelli-Check, Inc. as of December 31, 2002, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ Grant Thornton, LLP

New York, New York
March 3, 2003
(except with respect to the matters
discussed in Note 10, as to which the date is
March 27, 2003)

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders of Intelli-Check, Inc.:

We have audited the accompanying balance sheets of Intelli-Check, Inc. (a Delaware corporation) as of December 31, 2001 and 2000, and the related statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to the above present fairly, in all material respects, the financial position of Intelli-Check, Inc. as of December 31, 2001 and 2000, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States.

/s/Arthur Andersen LLP

New York, New York
March 6, 2002

This Report of Independent Certified Public Accountants is a copy of a previously issued Arthur Andersen LLP ("Andersen") report and has not been reissued by Andersen. The inclusion of this previously issued Andersen report is pursuant to the "Temporary Final Rule and Final Rule; Requirements for Arthur Andersen LLP Auditing Clients," issued by the U.S. Securities and Exchange Commission in March 2002. Note that this previously issued Andersen report includes references to certain fiscal years, which are not required to be presented in the accompanying financial statements as of and for the fiscal year ended December 31, 2002.

INTELLI-CHECK, INC.

BALANCE SHEETS
DECEMBER 31, 2001 and 2002

ASSETS

	2001	
CURRENT ASSETS:		
Cash and cash equivalents	$ 4,061,235	$
Accounts receivable	25,536	
Inventory	2,168,688	
Other current assets	370,880	
Total current assets	6,626,339	
CERTIFICATE OF DEPOSIT, restricted (Note 9)	268,494	
PROPERTY AND EQUIPMENT, net (Note 3)	466,576	
ACQUIRED SOFTWARE, net (Notes 4 and 8)	426,806	
GOODWILL (Notes 4 and 8)	181,447	
PATENT COSTS, net (Notes 4 and 8)	289,425	
OTHER INTANGIBLES, net (Notes 4 and 8)	164,132	
Total assets	$ 8,423,219	$

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:		
Accounts payable	$ 254,171	$
Accrued expenses (Note 5)	842,501	
Current portion of deferred revenue	200,953	
Current portion of capital lease obligations (Note 9)	25,421	
Total current liabilities	1,323,046	
CAPITAL LEASE OBLIGATIONS (Note 9)	17,317	
DEFERRED REVENUE AND OTHER LIABILITIES	53,324	
COMMITMENTS AND CONTINGENCIES (Note 9)		
STOCKHOLDERS' EQUITY:		
Series A Convertible Preferred Stock - $.01 par value; 1,000,000 shares authorized; 0 shares issued and outstanding	-	
Common stock - $.001 par value; 20,000,000 shares authorized; 8,470,762 and		

8,875,302 shares issued and outstanding as of 2001 and 2002, respectively	8,470	
Deferred compensation	(189,000)	
Additional paid-in capital	19,331,004	
Accumulated deficit	(12,120,942)	(
Total stockholders' equity	7,029,532	
Total liabilities and stockholders' equity	$ 8,423,219	$

The accompanying notes are an integral part of these statements.

INTELLI-CHECK, INC.

STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2000, 2001 AND 2002

	2000	2001
REVENUE	$ 342,979	$ 885,908
COST OF REVENUE	198,712	479,041
Gross profit	144,267	406,867
OPERATING EXPENSES:		
Selling	890,453	950,774
General and administrative	1,590,896	2,332,150
Research and development	1,042,008	1,214,398
Reserve on inventory deposit (Notes 2 and 9)	-	-
Total operating expenses	3,523,357	4,497,322
Loss from operations	(3,379,090)	(4,090,455
OTHER INCOME (EXPENSE):		
Interest income	261,181	135,860
Interest expense	(14,863)	(8,336
Other income (Note 9)	-	-
	246,318	127,524
Net loss	$ (3,132,772)	$ (3,962,931
PER SHARE INFORMATION:		
Net loss	$ (3,132,772)	$ (3,962,931
Dividend on warrant modification	-	(140,000
Net loss attributable to common shareholders	$ (3,132,772)	$ (4,102,931
Net loss per common share - Basic and diluted	$ (0.47)	$ (0.52
Weighted average common shares used in computing per share amounts-		

Basic and diluted	6,648,191	7,910,913

The accompanying notes are an integral part of these statements.

INTELLI-CHECK, INC.

STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2000, 2001 AND 2002

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Deferr Compensa
BALANCE, December 31, 1999	6,515,152	$ 6,515	$10,121,771	$ -
Exercise of warrants	1,115,084	1,115	3,222,759	-
Exercise of stock options	66,000	66	202,434	-
Issuance of stock options in settlement of accounts payable	-	-	14,398	-
Net loss	-	-	-	-
BALANCE, December 31, 2000	7,696,236	$ 7,696	$13,561,362	$ -
Exercise of warrants	378,084	379	1,057,796	-
Exercise of options	166,500	165	774,985	-
Distributions of Rights Dividends	-	-	1,082,000	-
Effect on extension of expiration of warrants	-	-	140,000	-
Issuance of common stock for exercise of rights	180,198	180	1,397,669	-
Purchase and retirement of common stock	(10,000)	(10)	(52,590)	-
Issuance of stock options in settlement of accounts payable	-	-	842	-
Issuance of common stock for the acquisition of certain assets	59,744	60	979,940	-
Recognition of Deferred Compensation	-	-	389,000	(389,
Amortization of Deferred Compensation	-	-	-	200,
Net loss	-	-	-	
BALANCE, December 31, 2001	8,470,762	$8,470	$19,331,004	$ (189
Exercise of warrants	1,250	1	3,749	
Exercise of options	273,700	274	825,576	
Effect on extension of expiration of options	-	-	8,500	
Effect on extension of expiration of rights dividend	-	-	515,000	
Issuance of common stock for exercise of rights	107,396	107	912,759	
Purchase and retirement of common stock	(10,000)	(10)	(70,054)	
Issuance of additional common stock for prior year's acquisition of certain assets	32,194	32	(32)	
Recognition of Deferred Compensation	-	-	1,469,327	(1,469
Amortization of Deferred Compensation	-	-	-	713
Valuation adjustment of Deferred Compensation	-	-	(596,800)	596

Net loss	-	-	-	
BALANCE, December 31, 2002	8,875,302	$8,874	$22,399,029	$ (348

The accompanying notes are an integral part of these statements.

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INTELLI-CHECK, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2000, 2001 AND 2002

	2000
CASH FLOWS FROM OPERATING ACTIVITIES:	
Net loss	$ (3,132,772)
Adjustments to reconcile net loss to net cash used in operating activities-	
Depreciation and amortization	90,115
Noncash expense	14,398
Noncash compensation	-
Reserve on inventory deposit	-
Changes in assets and liabilities-	
(Increase) in certificate of deposit, restricted	(250,000)
(Increase) decrease (increase) in accounts receivable	(30,475)
(Increase) decrease in inventory	(2,349,729)
(Increase) decrease (increase) in other current assets	(211,525)
Decrease in other assets	8,766
(Decrease) Increase in accounts payable and accrued expenses	(137,941)
Increase (decrease) increase in deferred revenue	545,334
Increase in other liabilities	-
Net cash used in operating activities	(5,453,829)
CASH FLOWS FROM INVESTING activities:	
Purchases of property and equipment	(223,511)
Cash paid for acquisition expenses	-
Net cash used in investing activities	(223,511)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Net proceeds from issuance of common stock	3,426,374
Repayment of capital lease obligations	(37,893)
Treasury stock purchased	-
Net cash provided by financing activities	3,388,481
Net decrease in cash and cash equivalents	(2,288,859)
CASH AND CASH EQUIVALENTS, beginning of year	6,380,548
CASH AND CASH EQUIVALENTS, end of year	$ 4,091,689
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Cash paid during the year for interest	$ 14,863
SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING ACTIVITIES:	
Stock options issued for services rendered	$ -
Common stock issued to purchase certain assets in acquisition	-

Capital lease obligations incurred	54,125

The accompanying notes are an integral part of these statements.

INTELLI-CHECK, INC.

NOTES TO FINANCIAL STATEMENTS

The accompanying notes are an integral part of these statements.

1. NATURE OF BUSINESS

Intelli-Check, Inc. (the "Company") was originally incorporated in New York in October 1994 and later reincorporated in Delaware in December 1999 to develop, manufacture and market an advanced document verification system to enable a retailer to help prevent economic loss through various frauds, such as Identity theft, which utilizes fake ID's as support for these transactions, to increase security and deter terrorism at airports, military installations and other sites where security is a concern and to determine whether purchasers of age restricted products meet the minimum age requirements for the sale. This helps reduce the risk to the retailer of substantial monetary fines, criminal penalties and license revocation for the sale of age-restricted products to minors.

The Company has developed and patented the innovative software technology that is included in the advanced document verification system terminal called "ID-Check." The ID-Check terminal, in which the Company's patented software is loaded, was designed to offer convenient and reliable document and age verification. ID-Check reads, analyzes and displays the encoded information contained on driver licenses and other forms of accepted government issued identification where permitted by law. In addition, the ID-Check terminal is capable of being upgraded to accommodate changes made by the governmental issuers of driver licenses and ID cards. The ID-Check terminal requires a quick swipe or scan of the driver license or ID card by the user; displays a "valid", "expired", "tampered" or other customized display; and creates a record where permitted by law of transactions to protect the merchant against fraudulent transactions, unauthorized access and as proof that the retailer has used proper due diligence in the sale of age restricted products.

During 2001 and 2002, the Company developed additional software products that utilize its patented software technology. C- Link runs on a personal computer and was created to work in conjunction with the ID-Check unit that allows the retailer to instantly view the data for further verification, analyze data and generate various reports where permitted by law. The Company also has developed software that can be integrated onto a Windows platform that will enable a user of the software to perform all the functions of the ID-Check terminal.

Additionally, in December 2001, the Company acquired the assets of the IDentiScan Company, LLC ("IDentiScan"), which has developed a product that helps determine whether a purchaser of age restricted products meets the minimum age requirements for sale in a less sophisticated method than the Company's ID-Check terminal.

Since inception, the Company has incurred significant losses and negative cash flow from operating activities, and as of December 31, 2002 we had an accumulated deficit of $18,186,176. Subsequent to the balance sheet date, the Company received financing totaling $3 million, see footnote 10. We currently anticipate that our available cash in hand, cash resources from expected revenues from the sale of the units in inventory, cash resources collected from the Company's financing as noted above, combined with the expected exercise of the options by our option holders will be sufficient to meet our anticipated working capital and capital expenditure requirements for at least the next twelve months.

2. SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

Cash and cash equivalents include cash and highly liquid investments with original maturities of three months or less when purchased.

Inventory

Inventory is stated at the lower of cost or market and cost is determined using the first-in, first-out method. Inventory is primarily comprised of finished goods.

Inventory Valuation

The Company's inventory consists primarily of its ID-Check terminals that run its patented software. The inventory was originally received December 1999. Shortly thereafter, it was returned to the manufacturer for upgrade and became available for sale in the fourth quarter of 2000. The Company periodically evaluates the current market value of its inventory, taking into account any technological obsolescence that may occur due to changes in hardware technology and the acceptance of the product in the marketplace. Even though the Company has had limited sales to date, it believes that a sufficient market exists to sell with margin the current inventory as well as the remaining units required to be purchased from its manufacturer for which the Company has paid a deposit of $600,000. The current terminal, for which this deposit was paid, is fully capable of running the Company's patented software since it utilizes a

state-of-the-art imager/scanner and magnetic stripe reader. However, since our policy is to periodically evaluate the market value of the inventory, should the Company determine in a future period that an adjustment is necessary, the Company would record such adjustment at that time, which could have a material effect on the Company's results of operations. The Company is in discussions with its current manufacturer as well as other manufacturers to select a new platform to run its patented software. However, as of December 31, 2002, the Company reserved 100% of this deposit due to the uncertainty of whether or not the Company will place the order to purchase the additional units from its manufacturer under the open purchase order or purchase units to fulfill future orders from a new platform once it is selected.

Long-Lived Assets and Impairment of Long-Lived Assets

The Company's long-lived assets include property and equipment, acquired software, patents, goodwill and other intangibles.

As of January 1, 2002 the Company has adopted SFAS No. 142 "Goodwill and Other Intangible Assets". Under SFAS No. 142, goodwill and intangible assets with indefinite lives are no longer amortized but are reviewed annually (or more frequently if impairment indicators arise) for impairment. Separable intangible assets that are not deemed to have indefinite lives will continue to be amortized over their useful lives (but with no maximum life). Pursuant to the adoption of SFAS No. 142, the Company has evaluated its goodwill and other intangibles to identify additional separately identifiable intangibles; no adjustment was warranted. Intangible assets that will continue to be classified as goodwill will no longer be amortized. This provision had no material impact on the Company's results of operations. Upon adoption of SFAS No. 142, as well as at December 31, 2002, the Company performed an impairment test of its goodwill and determined that no impairment of the recorded goodwill existed.

As of January 1, 2002, the Company adopted SFAS No. 144, "Accounting for the Impairment or Disposal of Long-lived Assets" which supersedes SFAS No. 121, "Accounting for the Impairment or Disposal of Long-lived Assets to be Disposed Of". SFAS No. 144 requires that identifiable intangible assets that are not deemed to have indefinite lives will be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may be impaired. Furthermore, these assets are evaluated for continuing value and proper useful lives by comparison to undiscounted expected future cash flow projections. The Company has determined that no impairment exists as of December 31, 2002. The adoption of SFAS No. 144 had no effect on the Company.

Property and Equipment

Property and equipment are recorded at cost and are depreciated over their estimated useful lives ranging from two to ten-years using the straight-line basis. Equipment held under capital leases and leasehold improvements are amortized utilizing the straight-line method over the lesser of the term of the lease or estimated useful life of the asset.

Intangible Assets

Patent costs, primarily consisting of legal costs and allocated costs as a result of certain assets acquired from IDentiScan (see note 8), are amortized over a period between 10 and 17 years using the straight-line method. Acquired Software is being amortized over a period of 2 years using the straight-line method. Other intangibles, consisting of a covenant not to compete and copyrights are amortized over a period of 2 and 3 years, respectively using the straight-line method.

Costs of Computer Software Developed or Obtained for Internal Use
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The Company accounts for certain software costs under Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use" ("SOP 98-1"), which provides guidance for determining whether computer software is internal-use software and guidance on accounting for the proceeds of computer software originally developed or obtained for internal use and then subsequently sold to the public. It also provides guidance on capitalization of the costs incurred for computer software developed or obtained for internal use.

Capitalized Software Development Costs

SFAS No. 86, "Accounting for the Costs of Computer Software to Be Sold, Leased or Otherwise Marketed," specifies that costs incurred internally in creating a computer software product shall be charged to expense when incurred as research and development until technological feasibility has been established for the product. Software production costs for computer software that is to be used as an integral part of a product or process shall not be capitalized until both (a) technological feasibility has been established for the software and (b) all

NOTES TO FINANCIAL STATEMENTS

research and development activities for the other components of the product or process have been completed. The Company has not capitalized any software costs for the years ended December 31, 2000, 2001 and 2002.

Revenue Recognition

The Company sells its products directly through its sales force and through distributors. Revenue from direct sales of the Company's product is recognized upon shipment to the customer. The Company's products require continuing service or post contract customer support and performance by the Company, and accordingly a portion of the revenue is deferred based on its fair value and recognized ratably over the period in which the future service, support and performance are provided, which is generally one year. Currently, with respect to sales to distributors and sales of the Company's IDentiScan products, the Company does not have enough experience to identify the fair value of each element and the full amount of the revenue and related gross margin is deferred and recognized ratably over the one-year period in which the future service, support and performance are provided.

During 2002, the Company recognized sales from licensing of its patented software to customers. The Company's licensed software requires continuing service or post contract customer support and performance by the Company, and accordingly a portion of the revenue is deferred based on its fair value and recognized ratably over the period in which the future service, support and performance are provided, which is generally one year.

Research and Development Costs

Research and development costs are charged to expense as incurred.

Income Taxes

The Company accounts for income taxes under SFAS No. 109, "Accounting for Income Taxes." Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and net operating loss carryforwards. Deferred tax assets and liabilities are measured using expected tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The Company has recorded a full valuation allowance for its net deferred tax assets as of December 31, 2002, due to the uncertainty of the realizability of those assets.

Fair Value of Financial Instruments

The Company adheres to the provisions of SFAS No. 107, "Disclosures about Fair Value of Financial Instruments." This pronouncement requires that the Company calculate the fair value of financial instruments and include this additional information in the notes to financial statements when the fair value is different than the book value of those financial instruments. At December 31, 2002, the carrying value of all financial instruments approximated fair value, due to their short-term nature.

Business Concentrations and Credit Risk

Financial instruments, which subject the Company to concentrations of credit risk, consist primarily of cash and cash equivalents. The Company maintains cash between two financial institutions. The Company performs periodic evaluations of the relative credit standing of these institutions.

The Company has had limited sales due to the downturn of the economy and the refocus of its marketing efforts to a number of clients which are concentrated in the United States of America. The Company performs ongoing credit evaluations, generally does not require collateral, and establishes an allowance for doubtful accounts based upon factors surrounding the credit risk of customers, historical trends and other information.

The Company currently has one supplier for the production of its ID-check products and one supplier for the production of its IDentiScan products (Note 9). The Company does not maintain a manufacturing facility of its own and, accordingly, is dependent on maintaining its existing production relationships. Further, should the Company's relationship with its supplier not be renewed, it may not be able to find an alternative, comparable supplier on satisfactory terms to the Company, and therefore, there may be an adverse effect on the Company's results of operations. However, as a result of the Company commencing the licensing of its technology, such effect could be reduced as the Company would be less dependent on its manufacturer for sales.

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INTELLI-CHECK, INC.

NOTES TO FINANCIAL STATEMENTS

Net Loss Attributable to Common Shareholders

The Company computes net loss per common share in accordance with SFAS No. 128, "Earnings Per Share". Under the provisions of SFAS No. 128, basic net loss per common share ("Basic EPS") is computed by dividing net loss by the weighted average number of common shares outstanding. Diluted net loss per common share ("Diluted EPS") is computed by dividing net loss by the weighted average number of common shares and dilutive common share equivalents then outstanding. SFAS No. 128 requires the presentation of both Basic EPS and Diluted EPS on the face of the statements of operations. Diluted EPS for the years ended December 31, 2000, 2001 and 2002, does not include the impact of stock options and warrants then outstanding, as the effect of their inclusion would be antidilutive.

The following table summarizes the equivalent number of common shares assuming the related securities that were outstanding as of December 31, 2000, 2001 and 2002 had been converted:

	2000	2001	2002
Stock options	1,768,560	1,946,041	2,333,866
Warrants	596,475	17,500	10,000
Total	2,365,035	1,963,541	2,343,866

Stock-Based Compensation

At December 31, 2002, the Company has stock based compensation plans, which are described more fully in Note 7. As permitted by the SFAS No. 123, "Accounting for Stock Based Compensation", the Company accounts for stock-based compensation arrangements with employees in accordance with provisions of Accounting Principles Board ("APB") Opinion No. 25 "Accounting for Stock Issued to Employees". Compensation expense for stock options issued to employees is based on the difference on the date of grant, between the fair value of the Company's stock and the exercise price of the option. No stock based employee compensation cost is reflected in net income, as all options granted under those plans had an exercise price equal to the market value of the underlying common stock at the date of grant. The Company accounts for equity instruments issued to non-employees in accordance with the provisions of SFAS No. 123 and Emerging Issues Task Force ("EITF") Issue No. 96-18, "Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction With Selling, or in Conjunction With Selling Goods or Services". All transactions in which goods or services are the consideration received for the issuance of equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable.

The following table illustrates the effect on net loss and loss per share if the company had applied the fair value recognition provisions of SFAS No. 123 to employees stock based compensation:

	Year Ended December 31, 2000	Year Ended December 31, 2001
Net loss, as reported	$ (3,132,772)	$ (4,102,931)
Add:		
Total stock based employee compensation expense determined under fair value based method for all awards	(944,779)	(1,402,154)
Net loss, pro forma	$ (4,077,551)	$ (5,505,085)
Basic and diluted loss per share, as reported	$ (0.47)	$ (0.52)
Basic and diluted loss per share, pro forma	$ (0.61)	$ (0.70)

Comprehensive Loss

The Company's comprehensive net loss is equal to its net loss for the years ended December 31, 2000, 2001 and 2002.

Segment Information

The Company adheres to the provisions of SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information." This statement establishes standards for the way public business enterprises report information about operating segments in annual financial statements and requires that those enterprises report selected information about operating segments in financial statements issued to shareholders. Management has determined that it does not have any separately reportable business segments.

Use of Estimates

The preparation of the Company's financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the Company's financial statements and accompanying notes. Actual results could differ materially from those estimates.

Recently Issued Accounting Pronouncements

In June 2002, the FASB issued Statement 146, "Accounting for Costs Associated with Exit or Disposal Activities". This statement requires entities to recognize costs associated with exit or disposal activities when liabilities are incurred rather than when the entity commits to an exit or disposal plan, as currently required. Examples of costs covered by this guidance include one-time employee termination benefits, costs to terminate contracts other than capital leases, costs to consolidate facilities or relocate employees, and certain other exit or disposal activities. This statement is effective for fiscal years beginning after December 31, 2002, and will impact any exit or disposal activities the Company initiates after that date.

In November 2002, the Emerging Issues Task Force reached a consensus opinion on EITF 00-21, "Revenue Arrangements with Multiple Deliverables." The consensus provides that revenue arrangements with multiple deliverables should be divided into separate units of accounting if certain criteria are met. The consideration for the arrangement should be allocated to the separate units of accounting based on their relative fair values, with different provisions if the fair value of all deliverables are not known or if the fair value is contingent on delivery of specified items or performance conditions. Applicable revenue recognition criteria should be considered separately for each separate unit of accounting. EITF 00-21 is effective for revenue arrangements entered into in fiscal periods beginning after June 15, 2003. The Company believes that the adoption of EITF 00-21 on its financial statements will be immaterial.

In December 2002, the FASB issued Statement 148 (SFAS 148), "Accounting for Stock-Based Compensation Transition and Disclosure: an amendment of FASB Statement 123 (SFAS 123)", to provide alternative transition methods for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS 148 amends the disclosure requirements of SFAS 123 to require prominent disclosures in annual financial statements about the method of accounting for stock-based employee compensation and the pro forma effect on reported results of applying the fair value based method for entities that use the intrinsic value method of accounting. The pro forma effect disclosures are also required to be prominently disclosed in interim period financial statements. This statement is effective for financial statements for fiscal years ending after December 15, 2002 and is effective for financial reports containing condensed financial statements for interim periods beginning after December 15, 2002, with earlier application permitted. The Company does not plan a change to the fair value based method of accounting for stock-based employee compensation and has included the disclosure requirements of SFAS 148 in the accompanying financial statements.

In November 2002, FASB Interpretation 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" (FIN 45), was issued. FIN 45 requires a guarantor entity, at the inception of a guarantee covered by the measurement provisions of the interpretation, to record a liability for the fair value of the obligation undertaken in issuing the guarantee. The Company previously did not record a liability when guaranteeing obligations unless it became probable that the Company would have to perform under the guarantee. FIN 45 applies prospectively to guarantees the Company issues or modifies subsequent to December 31, 2002, but has certain disclosure requirements effective for interim and annual periods ending after December 15, 2002. The Company has not yet determined the effects of FIN 45 on its financial statements. The Company determines that the disclosure provisions do not have a material impact on the accompanying financial statements.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

INTELLI-CHECK, INC.

NOTES TO FINANCIAL STATEMENTS

3. PROPERTY AND EQUIPMENT

Property and equipment are comprised of the following as of December 31, 2001 and 2002:

	2001	2002
Computer equipment	$ 508,044	$ 481,640
Furniture and fixtures	152,251	155,589
Leasehold improvements	143,253	143,253
Office equipment	40,412	47,552
	843,960	828,034
Less- Accumulated depreciation and amortization	(377,384)	(503,922)
	$ 466,576	$ 324,112

Depreciation expense for the years ended December 31, 2000, 2001 and 2002 amounted to $83,908, $112,044, and $126,537 respectively.

4. INTANGIBLE ASSETS

The following summarize the carrying amounts of intangible assets and related amortization:

	As of December 31, 2002	
	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets		
Software	$430,000	$218,194
Patents	335,661	75,446
Other		
Covenant not to compete	150,000	78,125
Copy Rights	17,500	6,076
Total	$933,161	$377,841
Unamortized intangible assets		
Goodwill	$181,477	$ -

Amortization expense for years ended December 31, 2000, 2001, and 2002 were $6,207, $14,841 and $325,043, respectively.

Estimated amortization expense:

For year ended December 31, 2003	$ 318,724
For year ended December 31, 2004	$ 34,800
For year ended December 31, 2005	$ 29,209
For year ended December 31, 2006	$ 29,209
For year ended December 31, 2007	$ 29,209

5. ACCRUED EXPENSES

Accrued expenses are comprised of the following as of December 31, 2001 and 2002:

	2001	2002
Professional fees	$ 474,245	$ 563,294
Payroll	97,500	120,536
Rent	30,784	27,363
Other	239,972	60,212
	$ 842,501	$ 771,405

6. INCOME TAXES

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets for federal and state income taxes as of December 31, 2001 and 2002 are as follows:

	2001	2002
Deferred tax assets, net:		
Net operating loss carryforwards	$ 4,662,652	$ 6,502,540
Depreciation	(20,000)	(20,000)
Reserves	5,000	240,000
Less- Valuation allowance	(4,647,652)	(6,722,540)
Deferred tax assets, net	$ -	$ -

Realization of deferred tax assets is dependent upon future earnings, if any. The Company has recorded a full valuation allowance against its deferred tax assets since management believes that it is more likely than not that these assets will not be realized in the near future.

As of December 31,2002, the Company had net operating loss carryforwards (NOL's) for federal income tax purposes of approximately $16 million. There can be no assurance that the Company will realize the benefit of the NOL's. The federal NOL's are available to offset future taxable income and expire from 2018 through 2022 if not utilized. Under Section 382 of the Internal Revenue Code, these NOL's may be limited due to ownership changes.

The effective tax rate for the years ended December 31, 2000, 2001 and 2002 is different from the tax benefit that would result from applying the statutory tax rates mainly due to the valuation allowance that has been recognized.

7. STOCKHOLDERS' EQUITY

Series A Convertible Preferred Stock

In January 1997, the Board of Directors authorized the creation of a class of Series A Convertible Preferred Stock with a par value of $.01. The Series A Convertible Preferred Stock is convertible into an equal number of common shares at the holder's option, subject to adjustment for anti-dilution. The holders of Series A Convertible Preferred Stock are entitled to receive dividends as and if declared by the Board of Directors. In the event of liquidation or dissolution of the Company, the holders of Series A Convertible Preferred Stock are entitled to receive all accrued dividends, if applicable, plus the liquidation price of $1.00 per share. As of December 31, 2001 and 2002, there were no outstanding shares of Series A Convertible Preferred Stock.

Common Stock, Warrants and Rights

In February 1999, the Company extended the expiration dates for the warrants issued on May 26, 1997 and November 30, 1997 until June 30, 2000 and further extended the warrants to December 31, 2000. The Company did not record a charge for the adjustment to the terms of the warrants, as the amount was immaterial. All of the warrants were exercised prior to their expiration.

In April 1999, the Company adjusted the exercise price of a warrant to purchase common stock of the Company issued to an investor, in a previous common stock private placement, from $3.00 to $2.00. The adjustment was contingent upon the investor exercising the warrants within thirty days of the adjustment. The Company did not record a charge for the adjustment to the terms of the warrants, as the amount was immaterial as the exercise price of the warrant was equal or above the fair market value of the Company's common stock on the date of the adjustment. The investor exercised this warrant in May 1999 at the adjusted exercise price and the Company received total proceeds of $200,000. In addition, the investor received a new warrant to purchase 100,000 shares of the Company's common stock at an exercise price of $3.00 per share, which was exercised in February 2001. The new warrant has been issued with an exercise price that was equal or above the fair market value of the Company's common stock on the date of grant.

In March 2001, the Company declared a dividend distribution of one non-transferable right to purchase one share of the Company's common stock for every 10 outstanding shares of common stock continuous held from the record date to the date of exercise, as well as common stock underlying vested stock options

and warrants, held of record on March 30, 2001, at an exercise price of $8.50. The rights, which were due to expire on October 4, 2002, were extended by the Company on October 1, 2002 until April 4, 2003 and further extended until

December 31, 2003. Under certain conditions, the Company has the right to redeem the outstanding rights for $.01 per right. Such conditions were not met as of March 3, 2003. The Company reserved 970,076 shares of common stock for future issuance under this rights offering. The Company has recorded the fair value of the rights of $1,082,000 as a dividend during the quarter ended March 31, 2001, which was calculated using the Black-Scholes valuation method and recorded as an increase in additional paid-in capital and a reduction in accumulated deficit. As of December 31, 2002, 287,594 of these rights were exercised and the Company received $2,444,549 before expenses of $133,834.

In March 2001, the Company extended the expiration date of its warrants that were due to expire on various dates through June 30, 2001, until September 30, 2001. During the three months ended March 31, 2001, the Company recorded the $85,000 difference between the fair value of the warrants prior and subsequent to this extension as a dividend. In September 2001, the Company further extended the expiration of these warrants until October 31, 2001 and recorded the $55,000 difference between the fair value of the warrants prior and subsequent to this extension as a dividend during the three months ended September 30, 2001. These dividends were calculated using the Black-Scholes valuation method and are included in net loss attributable to common shareholders.

In March 2001, the Board of Directors authorized, subject to certain business and market conditions, the purchase of up to $1,000,000 of our common stock. As of December 31, 2001, the Company purchased 10,000 shares of the Company's common stock for approximately $53,000 and subsequently retired those shares. During June 2002, the Company purchased 10,000 shares totaling approximately $70,000 and subsequently retired those shares.

As discussed above, on October 1, 2002, the Company extended until April 4, 2003 all unexercised rights under its rights offering, which were due to expire on October 4, 2002 and were further extended until December 31, 2003. Each non-transferable right entitles the stockholder to purchase one share of common stock at an exercise price of $8.50. The Company recorded the fair value of the rights extension of $515,000 during the forth quarter of 2002 using the Black-Scholes valuation method and recorded as an increase in additional paid-in-capital and a reduction in accumulated deficit.

As of December 31, 2002, there remained warrants outstanding to purchase 10,000 shares of the Company's common stock at an exercise price of $8.40 per share.

All warrants have been issued with an exercise price that is equal to or above the fair market value of the Company's common stock on the date of grant.

Stock Options
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In order to retain and attract qualified personnel necessary for the success of the Company, the Company adopted a Stock Option Plan (the "1998 Stock Option Plan") covering up to 400,000 of the Company's common shares, pursuant to which officers, directors, key employees and consultants to the Company are eligible to receive incentive stock options and nonqualified stock options. The Compensation Committee of the Board of Directors administers the 1998 Stock Option Plan and determines the terms and conditions of options granted, including the exercise price. The 1998 Stock Option Plan provides that all stock options will expire within ten years of the date of grant. Incentive stock options granted under the 1998 Stock Option Plan must be granted at an exercise price that is not less than the fair market value per share at the date of grant and the exercise price must not be less than 110% of the fair market value per share at the date of grant for grants to persons owning more than 10% of the voting stock of the Company. The 1998 Stock Option Plan also entitles nonemployee directors to receive grants of non-qualified stock options as approved by the Board of Directors.

In August 1999, the Company adopted the 1999 Stock Option Plan (the "1999 Stock Option Plan") covering up to 1,000,000 of the Company's common shares, pursuant to which officers, directors, key employees and consultants to the Company are eligible to receive incentive stock options and nonqualified stock options. The Compensation Committee of the Board of Directors administers the 1999 Stock Option Plan and determines the terms and conditions of options granted, including the exercise price. The 1999 Stock Option Plan provides that all stock options will expire within ten years of the date of grant. Incentive stock options granted under the 1999 Stock Option Plan must be granted at an exercise price that is not less than the fair market value per share at the date of grant and the exercise price must not be less than 110% of the fair market value per share at the date of grant for grants to persons owning more than 10% of the voting stock of the Company. The 1999 Stock Option Plan also entitles nonemployee directors to receive grants of non-qualified stock options as approved by the Board of Directors.

At the Company's Annual Meeting held on July 11, 2001, the stockholders approved the 2001 Stock Option Plan covering up to 500,000 of the Company's common shares, pursuant to which the officers, directors, key employees and consultants to the Company are eligible to receive incentive stock options and nonqualified stock options. The Compensation Committee of the Board of Directors administers the 2001 Stock Option Plan and determines the terms and conditions of options granted, including the exercise price. The 2001 Stock Option Plan provides that all stock options will expire within ten years of the date of grant. Incentive stock options granted under the 2001 Stock Option Plan must be granted at an exercise price that is not less than the fair market value per share at the date of the grant and the exercise price must not be less than 110% of the fair market value per share at the date of the grant for grants to persons owning more than 15% of the voting stock of the Company. The 2001 Stock Option Plan also entitles non-employee directors to receive grants on non-qualified stock options as approved by the Board of Directors.

In December 2000, the Company granted an option to a third-party to purchase 25,000 shares of common stock at $10.00 per share in lieu of cash payments for advertising services rendered. Options on 3,599 shares were immediately exercisable and 21,401 vested as advertising services were performed. The fair market value of each option has been estimated at $4.00 on the date of grant using the Black-Scholes option pricing model and is revalued at each measurement date when services are performed. The Company recorded a charge of $14,398 and $842 in the accompanying statement of operations as of December 31, 2000 and 2001, respectively. The Company is no longer utilizing these services and the remaining unvested shares have expired.

During the fourth quarter of 2001, the Company granted options to purchase 41,231 shares of common stock at prices ranging from $9.22 to $16.05 per share to consultants under various agreements. During 2002, the Company granted additional stock options to purchase 180,176 shares of common stock at exercise prices ranging from $3.97 to $12.10 per share to consultants under various agreements. The fair market value of each option was estimated on the date of grant using the Black-Scholes option pricing model. Accordingly, we have recorded $389,000 as deferred compensation for these services as of December 31, 2001 and $1,469,327 as of December 31, 2002. As a result of some of the granted options having varying vesting periods, the Company revalued certain options either as of the vesting date or as of December 31, 2002 for those options unvested using the Black Scholes option pricing model. Accordingly, the Company recorded a reduction of the fair value of these options totaling $596,800.

During December 31, 2001 and 2002, the Company recognized amortization of deferred compensation of $200,000 and $713,051, respectively.

Stock option activity under the 1998, 1999 and 2001 Stock Option Plans during the periods indicated below is as follows:

	Number Of Options	Weighted Average Exercise Price
Outstanding at January 1, 2000	1,538,000	$ 3.72
Granted	376,560	$ 9.80
Canceled	(80,000)	3.00
Exercised	(66,000)	3.07
Outstanding at December 31, 2000	1,768,560	4.89
Granted	381,481	11.88
Canceled	(37,500)	5.17
Exercised	(166,500)	4.72
Outstanding at December 31, 2001	1,946,041	$ 6.26
Granted	693,176	$ 9.86
Canceled	(31,651)	$ 9.27
Exercised	(273,700)	$ 3.02
Outstanding at December 31, 2002	2,333,866	$ 7.72

Included in the option schedule are 1,222,000 non-plan options, of which, 1,015,000 are outstanding.

The weighted-average remaining life of the options outstanding at December 31, 2000, 2001 and 2002 is 3.87 years, 2 years, and 3.54 years respectively, and the weighted-average fair value of the options granted during the year ended December 31, 2000, 2001 and 2002 is $5.14, $5.14, and $6.62 respectively.

As of December 31, 2000, 2001 and 2002, the fair market value of each option grant has been estimated on the date of grant using the Black-Scholes option pricing model based upon expected option lives of 2, 2 and 5 years; risk free interest rates of 6.00%, 4.50% and 4.50%; expected volatility of 91%, 90% and 90% and a dividend yield of 0%, 0% and 0%, respectively.

As of December 31, 2002, the Company has 1,703,738 options exercisable with a weighted average exercise price of $6.97. As of December 31, 2002, the Company has 281,934 options available for future grant under the 1998, 1999 and 2001 Stock Option Plans.

In the opinion of management, all stock options have been issued with an exercise price that is equal or above the fair market value of the Company's Common Stock on the date of grant.

8. ACQUISITION

On December 18, 2001, the Company acquired substantially all of the assets of the IDentiScan Company, LLC, which was accounted for under the purchase method. The aggregate purchase price totaled $1,032,947 which consisted of 59,774 of the Company's restricted common stock valued at $980,000 based on the fair market value at the date of acquisition and transaction costs of $52,947, plus additional incentives upon meeting specific objectives over the next three years. The purchase agreement provided that if after one year from closing, the aggregate current market price of the shares issued at closing is less than $750,000, the Company will pay additional cash or additional common stock for the short fall. The Company computed the market value of the original 59,774 shares issued as of December 18, 2002 and it was valued at $487,457. As a result, the Company issued an additional 32,194 shares to the owners of IDentiScan in accordance with the Asset Purchase Agreement. The allocation of the purchase price was $430,000 to acquired technology, $230,000 to patents/trademarks, $181,447 to goodwill, $167,500 for other intangible assets, and $24,000 to tangible assets. All Intangible assets except goodwill are being amortized on a straight-line basis of between 2-10 years, which represents the estimated future period to be benefited.

9. COMMITMENTS AND CONTINGENCIES

Operating Leases

During July 2000, the Company entered into a 10-year lease agreement for its new office. The lease provides for monthly rental payments of $17,458 beginning December 15, 2000 with immaterial annual increases. In connection with this lease, the Company provided an irrevocable unconditional letter of credit in the amount of $250,000 as security, which will be reduced after 45 months to $34,916 for the remaining lease term. The Company has invested $250,000 in a restricted interest bearing certificate of deposit collateralizing the letter of credit. As of December 31, 2002 the total amount in this account is $273,317.

In addition, the Company has entered into various leases for office equipment and office space expiring through December 2010. Future minimum lease payments under these lease agreements are as follows:

Year Ending December 31:	
2003	$ 255,617
2004	241,832
2005	245,064
2006	254,904
2007	265,140
Thereafter	860,772
	$ 2,123,329

Rent expense for the years ended December 31, 2000, 2001 and 2002 amounted to $120,050, $208,100 and $242,083, respectively.

Capital Lease Obligations

The Company leases computer equipment and office equipment under several capital leases expiring in 2004. The asset and liability are recorded at the lower of the present value of minimum lease payments or the fair market value of the assets.

Future minimum payments under the lease agreements are as follows:

Year Ending December 31:

2003	$ 19,572
2004	427
Total minimum lease payments	$ 19,999

Royalty and License Agreements

The Company entered into an agreement with a former officer of the Company during 1996 to license certain software. The agreement stipulated, among other provisions, that the officer would receive royalties equal to a percentage of the Company's gross sales. This agreement was terminated in May 1999 and was superceded by a new agreement which calls for payment of royalties of .005% on gross sales from $2,000,000 to $52,000,000 and .0025% on gross sales in excess of $52,000,000. As of December 31, 2002, no payments were made or payable under this agreement.

Employment Agreements

On January 1, 1999, the Company entered into three-year employment contracts with both its Chairman and Chief Executive Officer and its Senior Executive Vice President and Chief Technology Officer. Each of the agreements provided for a base salary of $225,000 subject to certain conditions and the payment of a bonus if the Company's sales exceed $2,000,000 in the previous year. The bonus would have been in the amount of $50,000 plus 1% of the amount of sales in excess of $2,000,000 in each year. In addition, for each fiscal year ending during the term of the employment agreements, the Company was obligated to grant to each of the executives an option to purchase the greater of 25,000 shares of common stock at fair market value on the date of grant or 10,000 shares of common stock at fair market value on the date of grant for each full $250,000 by which pre-tax profits for each year exceeds pre-tax profits for the prior fiscal year. However, the Company was not required to grant options to purchase more than 150,000 shares of common stock with respect to any one fiscal year. During the terms of their agreements, no bonuses were earned.

On May 7, 2001, the Board of Directors accepted the resignation of its Senior Vice President and Chief Technical Officer. Accordingly, all of the obligations under the employment agreement, including the payment of salaries and incentives, ceased as of this date.

On February 1, 2002 the Company entered into a new three-year employment contract with its Chairman and Chief Executive Officer, the agreement provides for an annual base salary of $250,000. In addition, the Company granted the Chairman and Chief Executive Officer an option to purchase 350,000 shares of common stock exercisable at $12.10 per share of which 125,000 options are immediately exercisable and 225,000 options become exercisable at a rate of 75,000 per year at December 31, 2002, 2003 and 2004.

In June 1999, the Chairman and Chief Executive Officer converted approximately $380,000 in deferred salary and interest into 375,000 options to purchase a share of common stock at an exercise price of $3.00, expiring in June 2004. In addition, the Company's Senior Executive Vice President and Chief Technology Officer converted approximately $210,000 in deferred salary and interest into 207,000 options to purchase a share of common stock at $3.00, expiring in June 2004. Furthermore, the Company's former President converted approximately $110,000 in deferred salary and interest into 110,000 options to purchase a share of common stock at $3.00, expiring in June 2004.

In July 1999, the Company entered into a two-year employment agreement with its Senior Executive Vice President and Chief Financial Officer, which became effective on September 7, 1999. The agreement provided for a base salary of $125,000. In addition, the Company granted the Chief Financial Officer an option to purchase 50,000 shares of common stock, of which 30,000 options were immediately exercisable at $5.00 per share and 20,000 options became exercisable on September 7, 2000 at $5.00 per share.

On September 7, 2001, the Company renewed the employment agreement of its Senior Executive Vice President and Chief Financial Officer. The agreement, which expires December 31, 2004, provides for a base salary of $135,000 with annual

increases of 5%. In addition, the Company granted 75,000 stock options at an exercise price of $8.04 vesting on September 7, 2006 with earlier vesting incentives.

Effective October 1999, the Company entered into a two-year employment agreement with its Senior Executive Vice President of Sales. The agreement provides for a base salary of $115,000. In addition, the Company granted the Senior Executive Vice President of Sales an option to purchase 50,000 shares of common stock at $7.50 per share, of which 20,000 shares are immediately exercisable and 5,000 shares become exercisable for each 10,000 sales of ID-Check products sold that exceed 10,000. The maximum options that can be earned in any calendar year may not exceed 100,000. Any options earned above the initial 50,000 options will be at fair market value on the date of grant. This agreement was renewed for an additional 2 years expiring October 2003 under the same terms and conditions.

Supplier Agreements

In July 1999, and amended November 1999 and July 2000, the Company entered into a supplier agreement with Hand Held Products (HHP), formerly Welch Allyn, Inc. The agreement specified that the Company pay approximately $188,000 for the development of the Company's ID-check products. In addition, HHP agreed to manufacture these products for an initial period of two years and provides for automatic renewal periods of one year. The Company placed an initial order for a total of 2,000 units of which 500 units were received as of December 31, 1999. These units were subsequently returned to the manufacturer to exchange the original scanner for a high-tech scanner, which allows the software to read the encoding on 51 jurisdictions as opposed to 32 jurisdictions that could be read on the original scanner. The Company received all of its product on these orders. During July 2000, the Company placed an additional order to purchase 5,000 units and has received a portion of the units prior to December 31, 2000.

During 2001, the Company agreed to provide HHP with advance deposits totaling $600,000 towards the fulfillment of its obligation on its purchase order. The Company satisfied its obligation and paid $200,000 in 2001 and the remaining

$400,000 in 2002. It was further agreed that should the Company decide not to purchase the required units under the purchase order, all of the materials purchased by the manufacturer to secure the production of units would be shipped to the Company and the balance of the obligation would cease. As of December 31, 2002, the Company reserved the deposit of $600,000 due to the uncertainty of whether or not the Company will complete this purchase order and use the materials.

In addition, HHP has notified the Company that effective July 9, 2003, it will terminate the Development and Supply agreement dated July 9, 1999 due to the discontinuation of manufacturing the IDC-1400 model, but will fulfill its obligation remaining with respect to the outstanding purchase order. The Company is in discussions with its current manufacturer as well as other manufacturers to select a new platform to run its patented software.

In connection with the acquisition of certain assets of the IDentiScan Company, LLC, on December 17, 2001, the Company entered into a product supply agreement with Accu-Time Systems, Inc. ("ATS"). ATS agreed to manufacture the IDentiScan line of products for an initial period of three (3) years and provides for automatic renewal periods of one year.

Customer Agreement

Effective January 30, 2002, the Company mutually agreed with Sensormatic Electronics Corporation not to renew its non-exclusive Master Distributor agreement which was due to expire on March 31, 2002. The Company received $412,000 from Sensormatic Electronics Corporation and additionally Sensormatic agreed to return to the Company all units previously purchased and unsold in their inventory as settlement of its obligations under the agreement. The Company did not assign any value to these units. The Company recognized the income, net of refurbishment costs, totaling $336,744 and it was recorded as other income on the Company's Statements of Operations as of December 31, 2002.

Investment Banking Relationship

Effective March 28, 2002, the Company entered into an agreement with KPMG Corporate Finance LLC to act as an exclusive financial advisor to the Company. The fee for such services was $100,000 of which $50,000 was paid as of March 31, 2002 and the balance paid by June 30, 2002. This amount was expensed in the second quarter of 2002 as services were rendered. Should KPMG secure funding from a private placement of the Company's securities, the Company will also pay 3.5% of proceeds received from such funding. In connection with financing described in note 11 below, KPMG agreed to receive 2.0% in cash and 1% of funds drawn in warrants. Additionally, other fees are required to be paid as a result of any acquisition by the Company and merger of or sale of the Company.

Legal Proceedings

A lawsuit was filed as a class action on October 18, 2001 on behalf of short-sellers of the Company's stock, who allegedly suffered losses because of the rise in the price of our stock, in the United States District Court for New Jersey. The class action suit was amended in November 2001 and is now an individual action. The complaint alleges violations of the Securities and Exchange Act of 1934. On July 26, 2002, the Company filed a motion to dismiss the lawsuit. The Company's motion to dismiss has been fully briefed by both sides and is awaiting the Court's decision. The Company believes the suit is without merit. The Company did not accrue for any potential outcome as such accrual can not be determined at this time.

A demand for arbitration was brought by Early Bird Capital Inc. in January 2002, seeking issuance of warrants with registration rights pursuant to the terms of a Financial Advisory and Investment Banking Agreement dated as of August 20, 2000. The arbitration took place in December 2002 and January 2003, and both sides have completed presenting their cases. Early Bird Capital has demanded a monetary judgment in the amount of $968,000, which, if awarded, would have a material adverse effect on the Company. The Company believes it has presented a meritorious defense; however, there can be no assurance that we will prevail. The Company did not accrue for any potential outcome as such accrual can not be determined at this time.

On February 19, 2003, we filed a summons and complaint upon CardCom Technology, Inc. for its infringement on our patent. Under Federal rules, absent an extension of time, the CardCom answer is due on or before April 1, 2003.

We are not aware of any infringement by our products or technology on the proprietary rights of others.

Other than as set forth above, we are not currently involved in any legal or regulatory proceeding, or arbitration, the outcome of which is expected to have a material adverse effect on our business.

10. SUBSEQUENT EVENTS

On March 27, 2003, pursuant to a Securities Purchase Agreement, we sold 30,000 shares of our Series A 8% Convertible Preferred Stock, par value $.01 per share for $3,000,000 before expenses to Gryphon Master Fund, L.P. Each preferred share entitles the holder to receive dividends of 8% per annum and is convertible into 15.1515 shares of our common stock. Additionally, each share of Preferred Stock will receive one (1) 5 year warrant to purchase 3.787875 shares of common stock at a price of $6.78. The total amount of shares that may be issued upon conversion and the exercising of the warrants are 454,545 and 113,636 shares, respectively. Dividend payments of $120,000 are due semi-annually in cash beginning September 30, 2003. In connection with this financing, we paid agent fees of $150,000, plus legal fees estimated to be approximately $55,000. Shares of Preferred Stock will be convertible at the option of Gryphon Master Fund, L.P at any time prior to redemption. We may redeem any or all of the Preferred Shares at any time after one year from the closing date at a cash redemption price of $100 per share, providing the volume weighted average price of our Common Stock for any 20 out of 30 consecutive trading days exceeds $13.20 per share. We must redeem all of the Preferred Stock outstanding on the fifth anniversary of the closing date at a redemption price, in cash, equal to the purchase price of the Preferred Stock.

On March 17, 2003 the Company further extended the expiration date of its right offering (see Note 7) until December 31, 2003.

APPENDIX II

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES AND EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2003

OR

[_] TRANSITION REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES AND EXCHANGE ACT OF 1934

For the transition period from to

Commission File No. 001-15465

Intelli-Check, Inc.
(Exact name of the issuer as specified in its charter)

Delaware	11-3234779
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

246 Crossways Park West, Woodbury, New York 11797
(address of principal executive offices) (Zip Code)

Issuer's Telephone number, including area code: (516) 992-1900

Check whether Issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the Issuer was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No [_]

Number of shares outstanding of the issuer's Common Stock:

Class	Outstanding at August 5, 2003
Common Stock, $.001 par value	8,957,739

Intelli-Check, Inc.

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Intelli-Check, Inc.

Balance Sheets

ASSETS

	June 30, 2003 (Unaudited)	Dece
CURRENT ASSETS:		
Cash and cash equivalents	$ 2,187,242	$ 1
Certificate of deposit, restricted	1,004,686	
Accounts receivable	83,996	
Inventory, net	878,597	1
Other current assets	209,330	
Total current assets	4,363,851	4

CERTIFICATE OF DEPOSIT, restricted	275,515	
PROPERTY AND EQUIPMENT, net	268,039	
ACQUIRED SOFTWARE, net	104,306	
GOODWILL	181,447	
PATENT COSTS, net	245,611	
OTHER INTANGIBLES, net	42,882	
Total assets	$ 5,481,651	$ 5
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 614,214	$
Accrued expenses	626,523	
Litigation settlement payable	921,700	
Deferred revenue	284,982	
Current portion of capital lease obligations	8,781	
Total current liabilities	2,456,200	1
CAPITAL LEASE OBLIGATIONS	-	
OTHER LIABILITIES	116,270	
SERIES A 8% CONVERTIBLE REDEEMABLE PREFERRED STOCK, Net of beneficial conversion feature, warrants issued and issuance costs - $.01 par value; 1,000,000 shares authorized; 30,000 shares issued and outstanding	1,742,158	
STOCKHOLDERS' EQUITY:		
Common stock - $.001 par value; 20,000,000 shares authorized; 8,953,314 and 8,875,302 shares issued and outstanding, respectively	8,952	
Additional paid-in capital	24,916,153	22
Deferred compensation	(373,444)	
Accumulated deficit	(23,384,638)	(18
Total stockholders' equity	1,167,023	3
Total liabilities and stockholders' equity	$ 5,481,651	$ 5

See accompanying notes to financial statements

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Intelli-Check, Inc.

Statements of Operations

(Unaudited)

	Three Months Ended June 30,		Six Months Ended Ju	
	2003	2002	2003	
REVENUE	$ 342,191	$ 287,336	$ 604,325	$
COST OF REVENUE	(137,632)	(116,329)	(241,222)	(
INVENTORY WRITEDOWN	(800,000)	--	(800,000)	
Gross profit (loss)	(595,441)	171,007	(436,897)	
OPERATING EXPENSES				
Selling	341,560	418,842	679,500	
General and administrative	805,434	789,449	1,424,669	1,
Research and development	318,336	308,291	621,912	
Total operating expenses	1,465,330	1,516,582	2,726,081	3,
Loss from operations	(2,060,771)	(1,345,575)	(3,162,978)	(3,
OTHER INCOME (EXPENSES):				
Interest income	11,265	14,926	15,622	
Interest expense	(475)	(1,375)	(1,153)	
Other (Note 5)	--	--	(921,730)	
	10,790	13,551	(907,261)	
Net loss	$(2,049,981)	$(1,332,024)	$(4,070,239)	$(2,
PER SHARE INFORMATION:				
Net loss per common share -				
Net Loss	$(2,049,981)	$(1,332,024)	$(4,070,239)	$(2,
Accretion of convertible Redeemable preferred stock costs	65,758	--	65,758	
Dividend on convertible Redeemable preferred stock	62,465	--	62,465	
Net loss attributable to common stockholders	$(2,178,204)	$(1,332,024)	$(4,198,462)	$(2,
Basic and diluted	$ (.24)	$ (.15)	$ (.47)	$
Common shares used in computing per share amounts - Basic and diluted	8,930,112	8,596,464	8,902,858	8,

See accompanying notes to financial statements

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Intelli-Check, Inc.

Statements of Cash Flows
(Unaudited)

	Six months ended June 30, 2003	Six mon June
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$(4,070,239)	$(2,
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	220,523	
Noncash stock based compensation expense	29,000	
Amortization of deferred compensation	193,032	
Writedown of inventory	800,000	
Changes in assets and liabilities-		
Increase in certificates of deposit, restricted	(1,006,884)	
Decrease (increase) in accounts receivable	9,534	
Decrease in inventory	124,242	
Decrease (increase) in other current assets	64,440	(
Increase in accounts payable and accrued expenses	108,232	
Increase in litigation settlement payable	921,700	
(Decrease) increase in deferred revenue	(50,372)	
(Decrease) in other liabilities	--	
Net cash used in operating activities	(2,656,792)	(1,
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(1,929)	
Net cash used in investing activities	(1,929)	
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from issuance of common stock	232,502	1,
Net proceeds from issuance of convertible redeemable preferred stock	2,714,100	
Repayment of capital lease obligation	(11,218)	
Treasury stock purchased	--	
Net cash provided by financing activities	2,935,384	1,
Increase (decrease) in cash	276,663	(
CASH AND CASH EQUIVALENTS, beginning of period	1,910,579	4,
CASH AND CASH EQUIVALENTS, end of period	$ 2,187,242	$ 3,
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for interest	$ 475	$
SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITIES:		
Beneficial conversion feature and warrants issued in connection with issuance of convertible redeemable preferred Stock	$ 1,037,700	$
Accretion of convertible redeemable preferred stock cost	$ 65,758	$
Dividend payable on convertible redeemable preferred stock	$ 62,465	$

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See accompanying notes to financial statements

Intelli-Check, Inc.

Statement of Stockholders' Equity (Unaudited)
For the Six Months Ended June 30, 2003

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Defe Compen
BALANCE, January 1, 2003	8,875,302	$ 8,874	$ 22,399,029	$ (34
Effect on extension of expiring options			29,000	
Exercise of stock options	78,000	78	232,322	
Exercise of rights	12	-	102	
Effect on extension of expiring rights dividend	-	-	1,000,000	
Warrants issued in connection with the issuance of convertible redeemable preferred stock	-	-	497,700	
Beneficial conversion feature embedded in convertible redeemable preferred stock issued			540,000	
Amortization of deferred compensation	-	-	-	19
Dividend on convertible redeemable preferred stock	-	-	-	
Recognition of deferred compensation			232,112	(23
Accretion of convertible redeemable preferred stock				
Valuation adjustment of deferred compensation	-	-	(14,112)	1
Net loss	-	-	-	
BALANCE, June 30, 2003	8,953,314	$ 8,952	$ 24,916,153	$ (37

See accompanying notes to financial statements

Intelli-Check, Inc.

Notes to Financial Statements

(Unaudited)

Note 1. Basis of Presentation and Significant Accounting Policies

Basis of Presentation

The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by generally accepted accounting principles for complete financial statements. In the opinion of management, the unaudited interim financial statements furnished herein include all adjustments necessary for a fair presentation of the Company's financial position at June 30, 2003 and the results of its operations for the six months and three months ended June 30, 2003 and 2002, stockholders' equity for the six months ended June 30, 2003 and cash flows for the six months ended June 30, 2003 and 2002. All such adjustments are of a normal and recurring nature. Interim financial statements are prepared on a basis consistent with the Company's annual financial statements. Results of operations for the six month period ending June 30, 2003 are not necessarily indicative of the operating results that may be expected for the year ending December 31, 2003.

The balance sheet as of December 31, 2002 has been derived from the audited financial statements at that date but does not include all of the information and notes required by accounting principles generally accepted in the United States of America for complete financial statements.

For further information, refer to the financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2002.

The Company anticipates that its current available cash on hand, cash resources from expected revenues from the sale of the units in inventory, licensing of its technology, combined with the cash expected from the exercise of options, warrants and rights and the projected proceeds from our proposed public offering will be sufficient to meet its anticipated working capital and capital expenditure requirements for at least the next eighteen months. Should the Company be unsuccessful in completing the proposed public offering, it would be required to raise additional capital during the next 12 months. These requirements are expected to include the purchase of additional inventory to run its patented software, product development, sales and marketing, working capital requirements and other general corporate purposes. Should sales of its products fall below expectations during the next 18 months, the Company would be required to raise additional capital to fund its operations. Should the Company need to raise additional capital, there can be no assurances that the Company will be successful in raising capital. The impact on the Company could be adverse if it is not able to ship products as projected or raise capital as discussed above. In addition, the Company may need to raise additional funds to respond to business contingencies which may include the need to fund more rapid expansion, fund additional marketing expenditures, develop new markets for its ID-Check technology, enhance our operating infrastructure, respond to competitive pressures, or acquire complementary businesses or necessary technologies. In the event the Company is unable to raise capital, management plans to implement cost saving measures to sustain business activities on a reduced level.

Recently Issued Accounting Standards

In April 2003, the FASB issued Statement of Financial Accounting Standards No. 149 ("SFAS No. 149"), "Amendment of Statement 133 on Derivative Instruments and Hedging Activities," which amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under SFAS No. 133. SFAS No. 149 is effective for contracts entered into or modified after June 30, 2003 except for the provisions that were cleared by the FASB in prior pronouncements. The Company believes that the adoption of SFAS No. 149 will not have a material effect on its financial position and results of operations.

In May 2003, the FASB issued Statement of Financial Accounting Standards No. 150 ("SFAS No. 150"), "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." This statement establishes standards for how an issuer classifies and measures in its statement of financial position certain financial instruments with characteristics of both

liabilities and equity. In accordance with the standard, financial instruments that embody obligations for the issuer are required to be classified as liabilities. This Statement is effective for financial instruments entered into or modified after May 31, 2003. The adoption of SFAS No. 150 had no material effect on our financial position and results of operations.

Use of Estimates

The preparation of the Company's financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in its financial statements and accompanying notes. Actual results could differ materially from those estimates.

Revenue Recognition

The Company sells its products directly through its sales force and through distributors. Revenue from direct sales of the Company's product is recognized upon shipment to the customer. The Company's products require continuing service or post contract customer support and performance by the Company; accordingly, a portion of the revenue pertaining to the service and support is deferred based on its fair value and recognized ratably over the period in which the future service, support and performance are provided, which is generally one year. Currently, with respect to sales to distributors and sales of the Company's IDentiScan products, the Company does not have enough experience to identify the fair value of each element and the full amount of the revenue and related gross margin is deferred and recognized ratably over the one-year period in which the future service, support and performance are provided.

In addition, the Company recognizes sales from licensing of its patented software to customers. The Company's licensed software requires continuing service or post contract customer support and performance by the Company; accordingly, a portion of the revenue is deferred based on its fair value and recognized ratably over the period in which the future service, support and performance are provided, which is generally one year.

During the second quarter of fiscal 2003, the Company began receiving royalties from licensing its technology, which are recognized as revenues in the period it is earned.

Inventory Valuation

The Company's inventory consists primarily of its ID-Check terminals that run our patented software. The Company acquired such inventory in December 1999 and shortly thereafter, it was returned to the manufacturer for upgrade and became available for sale in the fourth quarter of 2000. The Company periodically evaluates the current market value of its inventory, taking into account any technological obsolescence that may occur due to changes in hardware technology and the acceptance of the product in the marketplace. Even though the Company has had limited sales to date, it believes that a sufficient market exists to sell (with margin) over a period of time the current inventory. The Company has paid a deposit of $600,000 towards the purchase of the remaining units that are available to be purchased under the outstanding purchase order with our manufacturer. However, during the fourth quarter of 2002, the Company reserved 100% of this deposit due to the uncertainty of whether or not it will place this order. The current terminal is fully capable of running the Company's patented software as it utilizes a state-of-the-art imager/scanner and magnetic stripe reader. However, since the Company's policy is to periodically evaluate the market value of the inventory, it was determined that an inventory reserve of $800,000 should be taken at this time, which has impacted the Company's results of operations for the period ended June 30, 2003. The Company is in discussions with its current manufacturer as well as other manufacturers to select a new platform to run its patented software. The Company may elect to purchase units to fulfill future orders from a new platform once it is selected.

Stock-Based Compensation

At June 30, 2003, the Company has stock based compensation plans, which are described more fully in Note 7 to Financial Statements included in the Company's 2002 Annual Report on Form 10-K. As permitted by the SFAS No. 123, "Accounting for Stock Based Compensation", the Company accounts for stock-based compensation arrangements with employees in accordance with provisions of Accounting Principles Board ("APB") Opinion No. 25 "Accounting for Stock Issued to Employees". Compensation expense for stock options issued to employees is based on the difference on the date of grant, between the fair value of the Company's stock and the exercise price of the option. No stock based employee compensation

cost is reflected in net income, as all options granted under those plans had an exercise price equal to the market value of the underlying common stock at the date of grant. The Company accounts for equity instruments issued to non-employees in accordance with the provisions of SFAS No. 123 and Emerging Issues Task Force ("EITF") Issue No. 96-18, "Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction With Selling Goods or Services". All transactions in which goods or services are the consideration received for the issuance of equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable.

The following table illustrates the effect on net loss and loss per share if the Company had applied the fair value recognition provisions of SFAS No. 123 to employees stock based compensation:

	Three months ended June 30, 2003	Three months ended June 30, 2002	Six month June 30
Net loss, as reported	($2,049,981)	($1,332,024)	($4,070
Add:			
Total stock based employee compensation expense determined under fair value based method for all awards	231,950	314,921	564,
Net loss, pro forma	($2,281,931)	($1,646,945)	($4,634
Basic and diluted loss per share, as reported	($0.24)	($0.15)	($0.

Basic and diluted loss per share, pro forma	($0.26)	($0.19)	($0.

Reclassifications

Certain prior period amounts have been reclassified to conform to the current period presentation.

Note 2. Net Loss Per Common Share

The Company computes net loss per common share in accordance with SFAS No. 128, "Earnings Per Share". Under the provisions of SFAS No. 128, basic net loss per common share ("Basic EPS") is computed by dividing net loss by the weighted average number of common shares outstanding. Diluted net loss per common share ("Diluted EPS") is computed by dividing net loss by the weighted average number of common shares and dilutive common share equivalents then outstanding. SFAS No. 128 requires the presentation of both Basic EPS and Diluted EPS on the face of the statements of operations. Diluted EPS for the periods ended June 30, 2003 and 2002 does not include the impact of stock options, warrants and convertible preferred stock then outstanding, as the effect of their inclusion would be antidilutive.

The following table summarizes the equivalent number of common shares assuming the related securities that were outstanding as of June 30, 2003 and 2002 had been converted:

	2003	2002
Stock options	1,962,324	2,323,940
Warrants	128,061	10,000
Convertible redeemable preferred stock	454,545	-
Total	2,544,930	2,333,940

Note 3. Convertible Redeemable Preferred Stock

On March 27, 2003, pursuant to a Securities Purchase Agreement, the Company sold 30,000 shares of our Series A 8% Convertible Redeemable Preferred Stock, par value $.01 per share, for $3,000,000 before expenses to Gryphon Master Fund, L.P. Each share of Preferred Stock entitles the holder to receive dividends of 8% per annum and is currently convertible into 15.1515 shares of our common stock. Additionally, each share of Preferred Stock received one (1) five year warrant to purchase 3.787875 shares of common stock at a price of $6.78. The total amount of shares that may be issued upon conversion and the exercising of the warrants are 454,545 and 113,636 shares, respectively. Dividend payments of

$120,000 are due semi-annually in cash beginning September 30, 2003. In connection with this financing, the Company paid agent fees of $150,000 and issued warrants and options to purchase 8,854 shares of common stock at a price of $6.78. The Company also paid legal fees of approximately $127,000. The Company recorded the relative fair value of all the warrants issued in connection with this transaction of $497,700 against the amount of the Convertible Redeemable Preferred Stock as of March 27, 2003, which was calculated using the Black-Scholes valuation method, as well as $540,000 of beneficial conversion feature in accordance with EITF 00-27 and such amounts are being accreted along with issuance cost of $285,900 over the five year period until the mandatory redemption date of the Preferred Stock, the fifth anniversary of closing. The Company recorded accretion of $65,758 for the period ended June 30, 2003. Shares of Preferred Stock are convertible at the option of Gryphon Master Fund, L.P at any time prior to redemption. The Company may redeem any or all of the Preferred Shares at any time after one year from the closing date at a cash redemption price of $100 per share, providing the volume weighted average price of the Company's Common Stock for any 20 out of 30 consecutive trading days exceeds $13.20 per share. The Company must redeem all of the Preferred Stock outstanding on the fifth anniversary of the closing date at a redemption price, in cash, equal to the purchase price of the Preferred Stock.

Note 4. Rights Extension

In March 2001, the Company declared a dividend distribution of one non-transferable right to purchase one share of the Company's common stock for every 10 outstanding shares of common stock that were continuously held from the record date to the date of exercise, as well as common stock underlying vested stock options and warrants, held of record on March 30, 2001, at an exercise price of $8.50. The rights, which were due to expire on October 4, 2002, were extended by the Company on October 1, 2002 until April 4, 2003 and further extended in March 2003 until December 31, 2003. The Company recorded the fair value of the additional rights extension of $1,000,000 during the quarter ended March 31, 2003 using the Black-Scholes valuation method and recorded an increase in additional paid-in-capital and a reduction in accumulated deficit.

Note 5. Legal Matters

A class action lawsuit was filed on October 18, 2001 on behalf of short-sellers of the Company's stock, who allegedly suffered losses because of the rise in the price of the Company's stock, in the United States District Court for New Jersey. The class action suit was amended in November 2001 and became an individual action. On July 26, 2002, the Company filed a motion to dismiss the lawsuit. On July 30, 2003, the court granted the Company's motion to dismiss the lawsuit. The Plaintiff has 30 days in which to file an amended complaint pertaining to certain of the pleadings.

On February 19, 2003, the Company filed a summons and complaint upon CardCom Technology, Inc. alleging infringement on its patent. During June 2003, the Company settled this case with CardCom Technology, Inc. The Company granted CardCom a three year royalty license to use certain of the Company's patents in connection with the manufacture, use and sale of CardCom's age verification products in the United States and Canada. It also provides that CardCom will pay royalties of approximately 10% on its net sales. For the quarter ended June 30, 2003, the Company received $25,229 in royalty fees pursuant to this agreement.

On April 9, 2003, the Company received notification from the American Arbitration Association that it had awarded Early Bird Capital $921,730 on the settlement of their demand. The Company has filed with the New York State Supreme Court an application for setting aside the confirmation of the award. The Company recorded a charge of $921,730 in its Statements of Operations for the three month period ending March 31, 2003. If the Company is unsuccessful in its application to overturn the award, the Company would owe additional interest on the award at an annual rate of 9% from the date of the award. The Company secured a one year letter of credit for the full amount of the charge along with interest totaling $1,004,686 until April 9, 2004 in the form of a certificate of deposit.

On August 1, 2003, the Company filed a summons and Complaint against Tricom Card Technologies, Inc. alleging infringement on its patent seeking injunctive and monetary relief.

Note 6. Financing Arrangement

On August 14, 2003, the Company filed a Form S-2 Registration Statement with the Securities and Exchange Commission under which it proposes to offer one million shares of the Company's common stock. There can be no assurances that the offering will become effective.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

(a) Overview

Our company was formed in 1994 to address a growing need for a reliable document and age verification system to detect fraudulent driver licenses and other widely accepted forms of government-issued identification documents. Our sales through September 30, 2000 had been minimal since through 1998 we had previously produced only a limited pre-production run of our product for testing and market acceptance. In late 1999, we received a limited number of ID-Check terminals, which were then available for sale. Shortly thereafter, these terminals were returned to the manufacturer to be upgraded to contain an advanced imager/scanner, which allowed our software to read the encoding on over 50 jurisdictions as opposed to 32 jurisdictions on the original scanner. During the fourth quarter of 2000, we experienced a material increase in sales as a result of product availability and establishing marketing and distributor agreements with resellers. During 2001 and through the quarter ended June 30, 2003, sales were limited due to the refocus of our marketing efforts towards larger customers in the retail market, in which the sales cycle normally requires an extended time frame involving multiple meetings, presentations and a test period, which has been further extended by the downturn in the economy, whereby decisions for capital expenditures have been delayed. However, after the tragic events that occurred on September 11, 2001, we believe there has been a significant increase in awareness to help improve security across many industries, including airlines, rail transportation and high profile buildings and facilities, which should enhance demand for our technology. We have also begun to market to various government and state agencies, which have long sales cycles including extended test periods. Since inception, we have incurred significant losses and negative cash flow from operating activities and, as of June 30, 2003, we had an accumulated deficit of approximately $23,400,000. We will continue to fund operating and capital expenditures from proceeds that we received from our recent financing as well as the exercise of warrants, options and rights. In view of the rapidly evolving nature of our business and our limited operating history, we believe that period-to-period comparisons of revenues and operating results are not necessarily meaningful and should not be relied upon as indications of future performance.

Our ID-Check's unique ability to verify the validity of military ID's, driver licenses and state issued non-driver ID cards that contain magnetic stripes or bar codes that conform to AAMVA/ANSI/ISO standards, enables us to target three distinct markets. The original target market was focused on resellers of age-restricted products, such as alcohol and tobacco, whereby the proliferation of high-tech fake IDs exposed merchants to fines and penalties for the inadvertent sale of these products to underage purchasers. Commercial Fraud which includes identity theft has additionally exposed industry to economic losses through various frauds that utilize fake IDs to support these transactions. Our technology is designed to help prevent losses from these frauds. The tragic events that occurred on September 11, 2001 have created increased awareness of our technology in security applications involving access control. As a result of its applicability in these markets, we have sold our products to some of the largest companies in the gaming industry, a state port authority, military establishments, airports, nuclear power plants and high profile buildings and have successfully completed tests of our technology in one of the largest mass merchandisers in the United States and a large quasi-government department. We currently are testing our products with some large public companies and in several locations in a large population State. We have entered into strategic alliances with Bioscrypt Inc., Identix Corporation and Ultra-Scan Inc., biometric companies; E-Certify, an information security company; Lenel Systems International, a provider of integrated security solutions; and Northrop Grumman Mission Systems, an integrator in the defense industry, to utilize our systems and software as the proposed or potential enrollment application for their technologies and to jointly market these security applications. In addition, we have recently signed agreements with some high profile organizations to promote the use of our technology and our products, such as Credit Union National Association (CUNA), Mothers Against Drunk Driving (MADD) and the American Association of Airport Executives (AAAE). We believe these relationships have broadened our marketing reach through their sales efforts and we intend to develop additional strategic alliances with additional providers of security solutions.

We have developed additional software products that utilize our patented software technology Our C-Link(R) software product, which runs on a personal computer and was created to work in conjunction with the ID-Check unit allows a user to instantly view the encoded data for further verification, to analyze the data and to generate various reports where permitted by law. We have also developed software containing our patented technology that can be integrated onto a Windows platform that will enable a user of the software to perform all the functions of the ID-Check terminal. To date, we have entered into six licensing agreements and are in discussions with additional companies to license our software to be utilized within other existing systems. The revenue received from such licensing agreements has not been significant through the period ended June 30, 2003.

The foregoing contains certain forward-looking statements. Due to the fact that we could face intense competition in a business characterized by rapidly changing technology and high capital requirements, actual results and outcomes may differ materially from any such forward looking statements and, in general, are difficult to forecast.

Critical Accounting Policies and the Use of Estimates

The preparation of our financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in our financial statements and accompanying notes. Actual results could differ materially from those estimates.

We believe that there are several accounting policies that are critical to understanding our historical and future performance, as these policies affect the reported amounts of revenue and the more significant areas involving management's judgments and estimates. These significant accounting policies relate to revenue recognition, valuation of inventory and commitments and contingencies. These policies and our procedures related to these policies are described in detail below.

A. Revenue Recognition

We sell our products directly through our sales force and through distributors. Revenue from direct sales of our product is recognized upon shipment to the customer. Our product requires continuing service or post contract customer support and performance by us; accordingly, a portion of the revenue pertaining to the service and support is deferred based on its fair value and recognized ratably over the period in which the future service, support and performance are provided, which is generally one year. Currently, with respect to sales to distributors and sales of our IDentiScan products, we do not have enough experience to identify the fair value of each element and the full amount of the revenue and related gross margin is deferred and recognized ratably over the one-year period in which the future service, support and performance are provided.

During the third quarter of fiscal 2002, we began recognizing sales from the licensing of our technology to customers. Our licensing products require continuing service or post contract customer support and performance by us; accordingly, a portion of the revenue is deferred based on its fair value and recognized ratably over the period in which the future service, support and performance are provided, which is generally one year.

During the second quarter of fiscal 2003, we began receiving royalties from licensing our technology. We will recognize these payments as revenues in the period it is earned.

B. Inventory Valuation

Our inventory consists primarily of our ID-Check terminals that run our patented software. We acquired such inventory in December 1999 and shortly thereafter, it was returned to the manufacturer for upgrade and became available for sale in the fourth quarter of 2000. We periodically evaluate the current market value of our inventory, taking into account any technological obsolescence that may occur due to changes in hardware technology and the acceptance of the product in the marketplace. Even though we have had limited sales to date, we believe that a sufficient market exists to sell (with margin) over a period of time the current inventory. We have paid a deposit of $600,000 towards the purchase of the remaining units that are available to be purchased under the outstanding purchase order with our manufacturer. However, during the fourth quarter of 2002, we reserved 100% of this deposit due to the uncertainty of whether or not we will place this order. The current terminal is fully capable of running our patented software as it utilizes a state-of-the-art imager/scanner and magnetic stripe reader. However, since our policy is to periodically evaluate the market value of our inventory, we have determined that an inventory reserve of $800,000 should be taken at this time, which has impacted our results of operations for the period ended June 30, 2003. We are in discussions with our current manufacturer as well as other manufacturers to select a new platform to run our patented software. We may elect to purchase units to fulfill future orders from a new platform once it is selected.

C. Commitments and Contingencies

We are currently involved in certain legal proceedings as discussed in the "Commitments and Contingencies" note in the Notes to the Financial Statements filed in our form 10-K for the year ended December 31, 2002. Other than as described in footnote 5 above, we do not believe these legal proceedings will have a material adverse effect on our financial position, results of operations or cash flows.

The above listing is not intended to be a comprehensive list of all of our accounting policies. In many cases, the accounting treatment of a particular transaction is specifically dictated by generally accepted accounting principles, with no need for management's judgment in their application. There are also areas in which management's judgment in selecting any available alternative would not produce a materially different result.

(b) Results of Operations

Comparison of the six months ended June 30, 2003
to the six months ended June 30, 2002.

Revenues increased by $62,591 from $541,734 for the six months ended June 30, 2002 to $604,325 for the six months ended June 30, 2003. Revenues for the period ended June 30, 2003 consisted of revenues from distributors of $169,976, revenues from direct sales to customers of $409,120 and royalty payments of $25,229. Shipments of products and contracted services amounted to $557,792 and $723,701 for the periods ended June 30, 2003 and 2002, respectively. The refocus of our marketing efforts to larger retailers and government agencies continues to impact our sales as a result of the extended time frame involved associated with these sales cycles. In addition, during 2001, 2002 and continuing in 2003, the sales cycle has been further extended by the economic downturn in the economy delaying capital expenditures decisions. We believe that based upon the results of certain tests, recent marketing agreements and legislative efforts to enhance security, these events will result in increased sales opportunities.

Gross profit, excluding an inventory writedown of $800,000 in the second quarter of 2003, would have increased by $68,081 from $295,022 for the six months ended June 30, 2002 to $363,103 for the six months ended June 30, 2003. Our gross profit excluding the inventory writedown of $800,000 in the second quarter of 2003 as a percentage of revenues would have increased to 60.1% in the six months ended June 30, 2003 from 54.5% for the six months ended June 30, 2002. Our gross profit percentage was positively impacted by an increase in sales from licensing our patented technology at higher gross margins.

Operating expenses, which consist of selling, general and administrative and research and development expenses, decreased 20.2% from $3,417,037 for the six months ended June 30, 2002 to $2,726,081 for the six months ended June 30, 2003. Selling expenses, which consist primarily of salaries and related costs for marketing, decreased 19% from $838,974 for the six months ended June 30, 2002 to $679,500 for the six months ended June 30, 2003 primarily due to decreased travel and convention expenses of approximately $23,000 and a reduction of non-recurring expenses of $155,000 from the hiring of professional consultants during the six months ended June 30, 2002 to promote our product, which was partially offset by an increase in salaries and employee costs of approximately $25,000. General and administrative expenses, which consist primarily of salaries and related costs for general corporate functions, including executive, accounting, facilities and fees for legal and professional services, decreased 26.9% from $1,947,628 for the six months ended June 30, 2002 to $1,424,669 for the six months ended June 30, 2003, primarily as a result of a reduction of non-recurring fees of approximately $519,000 incurred in the prior year for the hiring of consultants primarily relating to the recognized non-cash expense of the granting of options to this group in the prior year and a decrease in legal and accounting fees of approximately $57,000, which was partially offset by an increase in depreciation and amortization expenses of approximately $23,000 and increases in insurance costs of approximately $15,000. Research and development expenses, which consist primarily of salaries and related costs for the development of our products, amounted to $630,435 for the six months ended June 30, 2002 compared to $621,912 for the six months ended June 30, 2003, which has not materially changed. We believe that we will require additional investments in development and operating infrastructure as the Company grows. Therefore, we expect that expenses will continue to increase in line with increases in the growth of the business as we may increase expenditures for advertising, brand promotion, public relations and other marketing activities. We expect that we will incur incremental general and administrative expenses as the business grows. Research and development expenses may also increase as we complete and introduce additional products based upon our patented ID-Check technology.

Interest income decreased from $32,256 for the six months ended June 30, 2002 to $15,622 for the six months ended June 30, 2003, which is a result of a decrease in our cash and cash equivalents available for investment and lower interest rates in effect during this period.

Interest expense decreased from $2,870 for the six months ended June 30, 2002 to $1,153 for the six months ended June 30, 2003 as we have paid down certain capital leases which had higher interest rates.

Other expenses for the six months ended June 30, 2003 totaling $921,730 resulted from an arbitration decision awarding Early Bird Capital settlement on their demand. Other income for the six months ended June 30, 2002 totaling $336,344 resulted from a settlement of certain obligations under a Master Licensing agreement between us and Sensormatic Electronics Corporation, which expired on March 31, 2002. We received $412,000 and incurred $75,656 in refurbishment costs for previously customized terminals.

We have incurred net losses to date; therefore we have paid nominal income taxes.

As a result of the factors noted above, our net loss increased from $2,756,285 for the six months ended June 30, 2002 to $4,070,239 for the six months ended June 30, 2003.

Comparison of the three months ended June 30, 2003
to the three months ended June 30, 2002.

Revenues increased by $54,855 from $287,336 for the three months ended June 30, 2002 to $342,191 recorded for the three months ended June 30, 2003. Revenues for the period ended June 30, 2003 consisted of revenues from distributors of $80,234, revenues from direct sales to customers of $236,728 and royalty payments of $25,229. Shipments of products and contracted services amounted to $372,885 and $339,178 for the periods ended June 30, 2003 and 2002, respectively. The refocus of our marketing efforts to larger retailers and government agencies continues to impact our sales as a result of the extended time frame involved associated with these sales cycles. In addition, during 2001, 2002 and continuing in 2003, the sales cycle has been further extended by the downturn in the economy, in delaying capital expenditures decisions. We believe that based upon the results of certain tests, recent marketing agreements and legislative efforts to enhance security, these events will result in increased sales opportunities.

Gross profit, excluding an inventory writedown of $800,000 in the second quarter of 2003, would have increased by $33,552 from $171,007 for the three months ended June 30, 2002 to $204,559 for the three months ended June 30, 2003. Our gross profit, excluding the inventory writedown of $800,000 in the second quarter of 2003 as a percentage of revenues, would have amounted to 59.8% in the three months ended June 30, 2003 compared to 59.5% for the three months ended June 30, 2002 and remained relatively stable.

Operating expenses, which consist of selling, general and administrative and research and development expenses, decreased 3.4% from $1,516,582 for the three months ended June 30, 2002 to $1,465,330 for the three months ended June

30, 2003. Selling expenses, which consist primarily of salaries and related costs for marketing, decreased 18.5% from $418,842 for the three months ended June 30, 2002 to $341,560 for the three months ended June 30, 2003 primarily due to a reduction in non-recurring fees of $65,000 incurred in the prior year from the hiring of professional consultants to promote our product. General and administrative expenses, which consist primarily of salaries and related costs for general corporate functions, including executive, accounting, facilities and fees for legal and professional services amounted to $789,449 for the three months ended June 30, 2002 compared to $805,434 for the three months ended June 30, 2003, which has not materially changed. Research and development expenses, which consist primarily of salaries and related costs for the development and testing of our products, amounted to $308,291 for the three months ended June 30, 2002 compared to $318,336 for the three months ended June 30, 2003, which has not materially changed. We believe that we will require additional investments in development and operating infrastructure as the Company grows. Therefore, we expect that expenses will continue to increase in line with increases in the growth of the business as we may increase expenditures for advertising, brand promotion, public relations and other marketing activities. We expect that we will incur incremental general and administrative expenses as the business grows. Research and development expenses may also increase as we complete and introduce additional products based upon our patented ID-Check technology.

Interest income decreased from $14,926 for the three months ended June 30, 2002 to $11,265 for the three months ended June 30, 2003, which is a result of a decrease in our cash and cash equivalents available for investment and lower interest rates in effect during this period.

Interest expense decreased from $1,375 for the three months ended June 30, 2002 to $475 for the three months ended June 30, 2003 as we have paid down certain capital leases which had higher interest rates than those currently prevailing.

We have incurred net losses to date; therefore we have paid nominal taxes.

As a result of the factors noted above, our net loss increased from $1,332,024 for the three months ended June 30, 2002 to $2,049,981 for the three months ended June 30, 2003.

(c) Liquidity and Capital Resources

Prior to our IPO, which became effective in November 1999, we financed our operations primarily through several private placements of stock and debt financings. We used the net proceeds of these financings for the primary purpose of funding working capital and general corporate purposes and for the purchase of hardware terminals. As a result of the net proceeds we received from our IPO and the underwriters' exercise of their over allotment option, we received approximately $6,907,000 in net proceeds after deducting underwriters' commissions and offering expenses. During 2000, 2001 and 2002, we received $8,400,014 in net proceeds from the issuance of common stock from the exercise of warrants, rights and stock options. In March 2003, we received net proceeds before legal expenses of $2,850,000, from the issuance of Convertible Redeemable Preferred Stock. We funded the purchase of hardware terminals for resale and working capital primarily from these proceeds. We will continue to use these proceeds to fund working capital.

Cash used in operating activities for the six months ended June 30, 2003 of $2,656,792 was primarily attributable to the net loss of $4,070,239, an increase in certificates of deposit, restricted of $1,006,884 resulting from the award in the legal matter with Early Bird Capital, which was primarily offset by a decrease of inventory of $124,242 and an inventory reserve of $800,000, an increase in accounts payable and accrued expenses of $108,232, an increase in litigation settlement payable of $921,700 resulting from the legal award recorded in the first quarter of 2003, depreciation and amortization of $220,523 and amortization of deferred compensation of $193,032 from the granting of stock options to consultants. Cash used in operating activities for the six months ended June 30, 2002 of $1,974,925 resulted primarily from the net loss of $2,756,285 and an increase in other current assets of $467,233 resulting primarily from a deposit made to our manufacturer for additional inventory, which was primarily offset by an increase in amortization of deferred compensation of $641,707 from the granting of stock options to consultants, a decrease in inventory of $170,083, an increase in accounts payable and accrued expenses of $152,744 and an increase in deferred revenues of $174,882. Cash used in investing activities was $1,929 for the six months ended June 30, 2003 and $38,894 for the six months ended June 30, 2002. Net cash used in investing activities consisted primarily of capital expenditures for computer equipment and furniture and fixtures. Cash provided by financing activities was $2,935,384 for the six months ended June 30, 2003 and $1,504,481 for the six months ended June 30, 2002 and was primarily related to the issuance of Series A 8% Convertible Redeemable Preferred Stock and exercise of stock options for the period ended June 30, 2003 and primarily related to the exercise of outstanding rights and stock options for the period ended June 30, 2002.

In March 2001, we declared a dividend distribution of one non-transferable right to purchase one share of our common stock for every 10 outstanding shares of common stock continuously held from the record date to the date of exercise, as well as common stock underlying vested stock options and warrants, held of record on March 30, 2001, at an exercise price of $8.50. The rights were due to expire on October 4, 2002, which was one year after the effective date of the registration statement related to the shares of common stock underlying the rights. We extended the expiration date until April 4, 2003 and further extended the rights until December 31, 2003. We have the right to redeem the outstanding rights for $.01 per right under certain conditions, which were not met as of August 14, 2003. We had reserved 970,076 shares of common stock for future issuance under this rights offering. As of June 30, 2003, we received $2,444,651 before expenses from the exercise of 287,606 of these rights.

In March 2001, our Board of Directors authorized, subject to certain business and market conditions, the purchase of up to $1,000,000 of our common stock. During 2002, we purchased 20,000 shares totaling approximately $123,000 and subsequently retired these shares. We do not expect to purchase additional shares unless certain conditions warrant it.

On March 27, 2003, pursuant to a Securities Purchase Agreement, we sold 30,000 shares of our Series A 8% Convertible Redeemable Preferred Stock, par value $.01 per share, for $3,000,000 before expenses to Gryphon Master Fund, L.P. Each share of Preferred stock entitles the holder to receive dividends of 8% per annum and is currently convertible into 15.1515 shares of our common stock. Additionally, each share of Preferred Stock received one (1) five year warrant to purchase 3.787875 shares of common stock at a price of $6.78. The total amount of shares that may be issued upon conversion and the exercising of the warrants are 454,545 and 113,636 shares, respectively. Dividend payments of

$120,000 are due semi-annually in cash beginning September 30, 2003. In connection with this financing, we paid agent fees of $150,000 and issued warrants and options to purchase 8,854 shares of our common stock at a price of

$6.78. We also paid legal fees of approximately $127,000. We recorded the relative fair value of all the warrants issued in connection with this transaction of $497,700 against the amount of the Convertible Redeemable Preferred Stock as of March 27, 2003, which was calculated using the Black-Scholes valuation method, as well as $540,000 of beneficial conversion feature in accordance with EITF 00-27 and such amounts are being accreted along with issuance cost of $285,900 over the five year period until the mandatory redemption date of the Preferred Stock, the fifth anniversary of closing. We recorded accretion of $65,758 for the period ended June 30, 2003 as a dividend. Shares of Preferred Stock are convertible at the option of Gryphon Master Fund, L.P at any time prior to redemption. We may redeem any or all of the Preferred Shares at any time after one year from the closing date at a cash redemption price of $100 per share, providing the volume weighted average price of our Common Stock for any 20 out of 30 consecutive trading days exceeds $13.20 per share. We must redeem all of the Preferred Stock outstanding on the fifth anniversary of the closing date at a redemption price, in cash, equal to the purchase price of the Preferred Stock.

During April 2003, we received approximately $232,000 from the exercise of 78,000 stock options.

On August 14, 2003, we filed a Form S-2 Registration Statement with the United States Security and Exchange Commission under which we propose to sell 1 million shares of the our common stock. Under the terms of the Underwriter's term sheet, the Underwriter will receive 8% commission of gross proceeds of the offering. In addition, the Underwriter will receive for its expenses on a non-accountable basis an amount equal to 2.5% of the gross proceeds of the offering. We expect to receive net proceeds of approximately $9,500,000 upon successful completion of the offering. There can be no assurances that the offering will become effective.

We anticipate that our current available cash in hand, cash resources from expected revenues from the sale of the units in inventory, licensing of its technology, combined with the cash expected from the exercise of options, warrants and rights and the projected proceeds from our proposed public offering will be sufficient to meet our anticipated working capital and capital expenditure requirements for at least the next eighteen months. Should we be unsuccessful in completing the proposed public offering, we would be required to raise additional capital during the next 12 months. These requirements are expected to include the purchase of additional inventory to run our patented software, product development, sales and marketing, working capital requirements and other general corporate purposes. Should sales of our products fall below expectations during the next 18 months, we would be required to raise additional capital to fund our operations. Should we need to raise additional capital, there can be no assurances that we will be successful in raising capital. The impact on us could be adverse if it is not able to ship products as projected or raise capital as discussed above. In addition, we may need to raise additional funds to respond to business contingencies which may include the need to fund more rapid expansion, fund additional marketing expenditures, develop new markets for our ID-Check technology, enhance our operating infrastructure, respond to competitive pressures, or acquire complementary businesses or necessary technologies. . In the event we are unable to raise capital, management plans to implement cost saving measures to sustain business activities on a reduced level.

Below is a table, which presents our contractual obligations and commitments at June 30, 2003:

Payments Due by Period

Contractual Obligations	Total	Less than One Year	1-3 years	4-5 years	Afte
Capital Lease Obligations	$8,781	$8,781	--	--	
Operating Leases	2,013,519	258,674	$761,885	$551,486	$
Purchase commitments (1)	--	--	--	--	
Employment contracts	632,358	433,333	199,025	--	
Total Contractual Cash Obligation	$2,654,658	$700,788	$960,910	$551,486	$

(1) We paid the manufacturer $600,000 through April 1, 2002, as an advance inventory deposit towards the open purchase order of approximately 2,850 ID-Check units.

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(d) Net Operating Loss Carry forwards

As of June 30, 2003, we had a net operating loss carry forward of approximately $19,000,000, which expires beginning in the year 2013. The issuance of equity securities in the future, together with our recent financings and our IPO, could result in an ownership change and, thus, could limit our use of our prior net operating losses. If we achieve profitable operations, any significant limitation on the utilization of our net operating losses would have the effect of increasing our tax liability and reducing net income and available cash reserves. We are unable to determine the availability of these net-operating losses since this availability is dependent upon profitable operations, which we have not achieved in prior periods.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

None

Item 4. Controls and Procedures

Internal Controls

We maintain a system of internal controls designed to provide reasonable assurance that: (i) transactions are executed in accordance with management's general or specific authorization; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles, and to maintain accountability for assets; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of the design and operation of the our internal controls and procedures. Such evaluation was conducted as to the end of the period covered by this report. There have been no significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the date of such evaluation.

Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) that are designed (i) to collect the information we are required to disclose in the reports we file with the SEC, and (ii) to process, summarize and disclose this information within the time periods specified in the rules of the SEC. Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures. Such evaluation was conducted as to the end of the period covered by this report. Based on such evaluation, our Chief Executive and Chief Financial Officer have concluded that these procedures are effective.

Part II Other Information

Item 1. Legal Proceedings

A lawsuit was filed as a class action on October 18, 2001 on behalf of short-sellers of the Company's stock, who allegedly suffered losses because of the rise in the price of our stock, in the United States District Court for New Jersey. The class action suit was amended in November 2001 and became an individual action. On July 26, 2002, the Company filed a motion to dismiss the lawsuit. On July 30, 2003, the court granted the Company's motion to dismiss the lawsuit. The Plaintiff has 30 days in which to file an amended complaint pertaining to certain of the pleadings.

On February 19, 2003, we filed a summons and complaint upon CardCom Technology, Inc. alleging infringement on its patent. During June 2003, we settled with CardCom Technology, Inc. granting a three year royalty license to use certain of our patents in connection with the manufacture, use and sale of CardCom's age verification products in the United States and Canada. It also provides that CardCom will pay approximately 10% royalties on its net sales. For the quarter ended June 30, 2003 we received $25,229 in royalty fees.

On April 9, 2003, we received notification from the American Arbitration Association that it had awarded Early Bird Capital $921,730 on the settlement of their demand. We have filed with the New York State Supreme Court an application for setting aside the confirmation of the award. We recorded a charge of $921,730 in the Statements of Operations during the three month period ending March 31, 2003. If we are unsuccessful in our appeal, we would owe additional interest on the award at an annual rate of 9% from the date of the award. We secured a one year letter of credit for the full amount of the charge along with interest totaling $1,004,686 until April 9, 2004.

On August 1, 2003, we filed a summons and Complaint against Tricom Card Technologies, Inc. alleging infringement on its patent seeking injunctive and monetary relief.

Item 4. Submission of Matters to a Vote of Security Holders

The annual meeting of stockholders was held on July 10, 2003.

A proposal to elect two (2) directors to serve for a three-year term was approved by the stockholders. The nominees received the following votes:

Name	Votes For	Votes Withheld
Howard Davis (three-year term)	8,221,458	59,250
Jeffrey Levy (three-year term)	8,261,958	18,750

A proposal to approve the 2003 Stock Option Plan was accepted by the stockholders. This proposal received the following votes:

For	Against	Abstain	Not Voted
3,369,501	244,375	52,826	4,159,461

In addition, stockholders ratified the appointment of Grant Thornton LLP as the independent public accountants for the Company for the year ended December 31, 2003. This proposal received the following votes:

For	Against	Abstain
7,715,607	100,486	10,070

Item 6. Exhibits and Reports on Form 8-K

(a) The following exhibits are filed as part of the Quarterly Report on Form 10-Q:

Exhibit No.	Description
31.	Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(b) On April 8, 2003, we filed a report on Form 8-K to disclose the sale of our Series A 8% Convertible Preferred Stock.

(c) On July 2, 2003, we filed a report on Form 8-K to disclose the terms of settlement with CardCom Technology, Inc.

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Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date - August 14, 2003

Intelli-Check, Inc.

By: /s/ Frank Mandelbaum

Frank Mandelbaum
Chairman/CEO

By: /s/ Edwin Winiarz

Edwin Winiarz
Senior Executive Vice President,
Treasurer/CFO

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Exhibit 31

Certification
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Frank Mandelbaum, certify that:

1. I have reviewed this Form 10-Q of Intelli-Check, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 12a-14 and 15d-14) and we have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated Subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

(a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting; and

Date: August 14, 2003

/s/ Frank Mandelbaum

Name: Frank Mandelbaum
Title: Chief Executive Officer

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Exhibit 31

Certification
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Edwin Winiarz, certify that:

1. I have reviewed this Form 10-Q of Intelli-Check, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 12a-14 and 15d-14) and we have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated Subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

(a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting; and

Date: August 14, 2003

/s/ Edwin Winiarz

Name: Edwin Winiarz
Title: Chief Financial Officer

Exhibit 32

Certification
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), each of the undersigned officers of Intelli-Check, Inc. (the "Company"), does hereby certify, to such officer's knowledge, that:

The Quarterly Report on Form 10-Q for the quarter ended June 30, 2003 of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 14, 2003

/s/ Frank Mandelbaum

Name: Frank Mandelbaum
Title: Chief Executive Officer

Dated: August 14, 2003

/s/ Edwin Winiarz

Name: Edwin Winiarz
Title: Chief Financial Officer

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and is not being filed as part of the Form 10-Q or as a separate disclosure document.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Intelli-Check, Inc. and will be retained by Intelli-Check, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

PROSPECTUS October 2, 2003

[LOGO]INTELLI-CHECK(R), INC.

1,100,000 Shares of Common Stock

The Shemano Group [LOGO]

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Neither we nor any of the underwriters have authorized anyone to provide information different from that contained in this prospectus. When you make a decision about whether to invest in our common stock, you should not rely upon any information other than the information in this prospectus. Neither the delivery of this prospectus nor the sale of our common stock means that information contained in this prospectus is correct after the date of this prospectus. This prospectus is not an offer to sell or solicitation of an offer to buy these shares of common stock in any circumstances under which the offer or solicitation is unlawful.

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