GOLDMAN SACHS GROUP INC
Form 424B2
May 02, 2019

Filed Pursuant to Rule 424(b)(2)

Registration Statement No. 333-219206

The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion. Dated May 1, 2019.

GS Finance Corp.

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Bearish Barrier Early Redeemable Market-Linked Notes With Daily Barrier Observation Linked to the S&P 500® Index due

guaranteed by

The Goldman Sachs Group, Inc.
The notes will not bear interest. Unless your notes are automatically redeemed, the amount that you will be paid on your notes on the stated maturity date (expected to be the third scheduled business day after the determination date) is based on the performance of the S&P 500® Index as measured from and including the trade date (expected to be May 17, 2019) to and including the determination date (expected to be between December 17, 2020 and January 19, 2021).

By purchasing this note, you are taking the view that the final index level (the closing level of the index on the determination date) will be less than the initial index level (set on the trade date) by more than 1.00%, but not by more than 25.00%, and that your notes will not be automatically redeemed. If your notes are not automatically redeemed, the return on your notes may be less than 1.00% and will not be more than 25.00%.

Your notes will be automatically redeemed if, on any trading day from but excluding the original issue date to but excluding the determination date (a redemption observation date), the closing level of the index decreases below the barrier. The barrier is equal to 75.00% of the initial index level. If your notes are automatically redeemed, for each $1,000 face amount of your notes, you will receive a payment on the corresponding redemption date (the third business day after the redemption observation date) equal to $1,010 (representing a return of 1.00%). If your notes are automatically redeemed, the return on your notes will be 1.00%.

If your notes are not automatically redeemed, at maturity, for each $1,000 face amount of your notes, if the final index level is less than the initial index level, but not by more than 25.00%, you will receive a payment equal to the sum of (i) $1,000 plus (ii) $1,000 times the absolute value of the index return. The index return is the decrease in the final index level from the initial index level. For example, if the index return is -10.00%, your return will be +10.00%. If the final index level is (i) greater than or equal to the initial index level or (ii) less than the initial index level by more than 25.00%, at maturity you will only receive $1,010 (representing a return of 1.00%).

If your notes are not automatically redeemed, at maturity, for each $1,000 face amount of your notes you will receive an amount in cash equal to:

- if the index return is greater than or equal to zero, $1,010;
- if the index return is less than zero but greater than or equal to -25.00%, the sum of (i) $1,000 plus (ii) the product of (a) $1,000 times (b) the absolute value of the index return; or
- if the index return is less than -25.00%, $1,010.

You should read the disclosure herein to better understand the terms and risks of your investment, including the credit risk of GS Finance Corp. and The Goldman Sachs Group, Inc. See page S-11.

The estimated value of your notes at the time the terms of your notes are set on the trade date is expected to be between $950 and $980 per $1,000 face amount. For a discussion of the estimated value and the price at which Goldman Sachs & Co. LLC would initially buy or sell your notes, if it makes a market in the notes, see the following page.

Original issue date:	expected to be May 22, 2019	Original issue price:	100.00% of the face amount
Underwriting discount:	1.65% of the face amount*	Net proceeds to the issuer:	98.35% of the face amount

* UBS Financial Services Inc., as the selling agent, will receive a selling concession not in excess of 1.50% of the face amount.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense. The notes are not bank deposits and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency, nor are they obligations of, or guaranteed by, a bank.

Goldman Sachs & Co. LLC	UBS Financial Services Inc.
	Selling Agent

Prospectus Supplement No. dated , 2019.

The issue price, underwriting discount and net proceeds listed above relate to the notes we sell initially. We may decide to sell additional notes after the date of this prospectus supplement, at issue prices and with underwriting discounts and net proceeds that differ from the amounts set forth above. The return (whether positive or negative) on your investment in notes will depend in part on the issue price you pay for such notes.

GS Finance Corp. may use this prospectus in the initial sale of the offered notes. In addition, Goldman Sachs & Co. LLC or any other affiliate of GS Finance Corp. may use this prospectus in a market-making transaction in a note after its initial sale. Unless GS Finance Corp. or its agent informs the purchaser otherwise in the confirmation of sale, this prospectus is being used in a market-making transaction.

Estimated Value of Your Notes

The estimated value of your notes at the time the terms of your notes are set on the trade date (as determined by reference to pricing models used by Goldman Sachs & Co. LLC (GS&Co.) and taking into account our credit spreads) is expected to be between $950 and $980 per $1,000 face amount, which is less than the original issue price. The value of your notes at any time will reflect many factors and cannot be predicted; however, the price (not including GS&Co.'s customary bid and ask spreads) at which GS&Co. would initially buy or sell notes (if it makes a market, which it is not obligated to do) and the value that GS&Co. will initially use for account statements and otherwise is equal to approximately the estimated value of your notes at the time of pricing, plus an additional amount (initially equal to $ per $1,000 face amount).

Prior to   , the price (not including GS&Co.'s customary bid and ask spreads) at which GS&Co. would buy or sell your notes (if it makes a market, which it is not obligated to do) will equal approximately the sum of (a) the then-current estimated value of your notes (as determined by reference to GS&Co.'s pricing models) plus (b) any remaining additional amount (the additional amount will decline to zero on a straight-line basis over a 364 day period from the time of pricing). On and after   , the price (not including GS&Co.'s customary bid and ask spreads) at which GS&Co. would buy or sell your notes (if it makes a market) will equal approximately the then-current estimated value of your notes determined by reference to such pricing models.

About Your Prospectus

The notes are part of the Medium-Term Notes, Series E program of GS Finance Corp. and are fully and unconditionally guaranteed by The Goldman Sachs Group, Inc. This prospectus includes this prospectus supplement and the accompanying documents listed below. This prospectus supplement constitutes a supplement to the documents listed below and should be read in conjunction with such documents:

Prospectus supplement dated July 10, 2017

Prospectus dated July 10, 2017

The information in this prospectus supplement supersedes any conflicting information in the documents listed above. In addition, some of the terms or features described in the listed documents may not apply to your notes.

SUMMARY INFORMATION

We refer to the notes we are offering by this prospectus supplement as the "offered notes" or the "notes". Each of the offered notes has the terms described below and under "Specific Terms of Your Notes" on page S-20. Please note that in this prospectus supplement, references to "GS Finance Corp.", "we", "our" and "us" mean only GS Finance Corp. and do not include its subsidiaries or affiliates, references to "The Goldman Sachs Group, Inc.", our parent company, mean only The Goldman Sachs Group, Inc. and do not include its subsidiaries or affiliates and references to "Goldman Sachs" mean The Goldman Sachs Group, Inc. together with its consolidated subsidiaries and affiliates, including us. Also, references to the "accompanying prospectus" mean the accompanying prospectus, dated July 10, 2017, and references to the "accompanying prospectus supplement" mean the accompanying prospectus supplement, dated July 10, 2017, for Medium-Term Notes, Series E, in each case of GS Finance Corp. and The Goldman Sachs Group, Inc. References to the "indenture" in this prospectus supplement mean the senior debt indenture, dated as of October 10, 2008, as supplemented by the First Supplemental Indenture, dated as of February 20, 2015, each among us, as issuer, The Goldman Sachs Group, Inc., as guarantor, and The Bank of New York Mellon, as trustee. This indenture, as so supplemented and as further supplemented thereafter, is referred to as the "GSFC 2008 indenture" in the accompanying prospectus supplement.

Investment Thesis

The notes are designed for investors who:

- believe that the closing level of the underlying index will be greater than or equal to the lower barrier on every early redemption observation date (each day from but excluding the original issue date to but excluding the determination date) so that the notes will not be automatically redeemed early;
- believe that, if the notes are not automatically redeemed early, a barrier event (described below) will not occur;
- take the bearish view that the final underlying index level will be less than the initial underlying index level by more than 1.00%, but not by more than 25.00%;
- want limited exposure to the absolute value of the negative underlying index return if the final underlying index level is less than the initial underlying index level, assuming the notes are not automatically redeemed early and a barrier event does not occur;
- believe that the absolute value of the negative underlying index return will be greater than 1.00%, but are willing to forgo exposure to the absolute value of the negative underlying index return if the notes are automatically redeemed early or if a barrier event occurs and, in either case, are willing to receive a 1.00% contingent return instead;
- are willing to accept that, if the notes are automatically redeemed early, the return on the note will be limited to 1.00%; and
- are willing to accept that, if the notes are not automatically redeemed early, the return on the notes may be less than 1.00% and will not be more than 25.00% and, if a barrier event has occurred, the return on the notes will be limited to 1.00%.

The notes will be automatically redeemed early if, on any early redemption observation date, the closing level of the underlying index declines below the lower barrier of the initial underlying index level minus 25.00% of the initial underlying index level.

A barrier event will occur if the final underlying index level is (i) less than the lower barrier or (ii) greater than or equal to the initial underlying index level.

Key Terms

Issuer: GS Finance Corp.

Guarantor: The Goldman Sachs Group, Inc.

Underlying index: the S&P 500® Index (Bloomberg symbol, "SPX Index"), as published by S&P Dow Jones Indices LLC; see "The Underlying Index" on page S-27

Specified currency: U.S. dollars ("$")

Face amount: each note will have a face amount of $1,000, or integral multiples of $1,000 in excess thereof; $ in the aggregate for all the offered notes; the aggregate face amount of the offered notes may be increased if the issuer, at its sole option, decides to sell an additional amount of the offered notes on a date subsequent to the date of this prospectus supplement

Denominations: $1,000 and integral multiples of $1,000 in excess thereof

Supplemental plan of distribution: GS Finance Corp. expects to agree to sell to Goldman Sachs & Co. LLC ("GS&Co."), and GS&Co. expects to agree to purchase from GS Finance Corp., the aggregate face amount of the offered notes specified on the front cover of this prospectus supplement. GS&Co. proposes initially to offer the notes to the public at the original issue price set forth on the cover page of the prospectus supplement, and to UBS Financial Services Inc. at such price less a concession not in excess of 1.50% of the face amount. See "Supplemental Plan of Distribution" on page S-38

Purchase at amount other than face amount: the amount we will pay you on an early redemption date or the stated maturity date for your notes will not be adjusted based on the issue price you pay for your notes, so if you acquire notes at a premium (or discount) to face amount and hold them to an early redemption date or the stated maturity date, it could affect your investment in a number of ways. The return on your investment in such notes will be lower (or higher) than it would have been had you purchased the notes at face amount. See "Additional Risk Factors Specific to Your Notes — If You Purchase Your Notes at a Premium to Face Amount, the Return on Your Investment Will Be Lower Than the Return on Notes Purchased at Face Amount and the Impact of Certain Key Terms of the Notes Will be Negatively Affected".

Supplemental discussion of U.S. federal income tax consequences: the notes will be treated as debt instruments subject to the special rules governing contingent payment debt instruments for U.S. federal income tax purposes. Under this treatment, it is the opinion of Sidley Austin llp that if you are a U.S. individual or taxable entity, you generally should be required to pay taxes on ordinary income from the notes over their term based on the comparable yield for the notes. In addition, any gain you may recognize on the sale, exchange, redemption or maturity of the notes will be taxed as ordinary interest income.

Automatic redemption feature: if, as measured on any early redemption observation date, the closing level of the underlying index is less than the lower barrier, your notes will be automatically redeemed early. If your notes are automatically redeemed early on any early redemption observation date, for each $1,000 face amount of your notes, on the corresponding early redemption date, we will pay you an amount in cash equal to the sum of (i) $1,000 plus (ii) the product of $1,000 times the contingent return.

Cash settlement amount (on any early redemption date): if your notes are automatically redeemed early on any early redemption observation date, for each $1,000 face amount of your notes, on the corresponding early redemption date, we will pay you an amount in cash equal to the sum of (i) $1,000 plus (ii) the product of $1,000 times the contingent return.

Cash settlement amount (on the stated maturity date): if your notes are not automatically redeemed early, for each $1,000 face amount of your notes, we will pay you on the stated maturity date an amount in cash equal to:

- if a barrier event has not occurred, the sum of (i) $1,000 plus (ii) the product of $1,000 times the absolute value of the underlying index return; or
- if a barrier event has occurred, the sum of (i) $1,000 plus (ii) the product of $1,000 times the contingent return.

Trade date: expected to be May 17, 2019

Original issue date (settlement date) (to be set on the trade date): expected to be May 22, 2019

Initial underlying index level (to be set on the trade date): the closing level of the underlying index on the trade date

Final underlying index level: the closing level of the underlying index on the determination date, except in the limited circumstances described under "Specific Terms of Your Notes — Payment of Principal on Stated Maturity Date — Consequences of a Market Disruption Event or a Non-Trading Day" on page S-22 and subject to adjustment as provided under "Specific Terms of Your Notes — Discontinuance or Modification of the Underlying Index" on page S-22

Underlying index return: the quotient of (i) the final underlying index level minus the initial underlying index level divided by (ii) the initial underlying index level, expressed as a percentage

Contingent return: 1.00%

Barrier event: the final underlying index level is (i) less than the lower barrier or (ii) greater than or equal to the initial underlying index level

Lower barrier: the initial underlying index level minus 25.00% of the initial underlying index level (rounded to the nearest one-hundredth)

Closing level: as described under "Specific Terms of Your Notes — Special Calculation Provisions — Closing Level" on page S-23

Early redemption observation dates: each day from but excluding the original issue date to but excluding the determination date, excluding any date or dates on which the calculation agent determines that a market disruption event occurs or is continuing or that the calculation agent determines is not a trading day

Early redemption dates (to be set on the trade date): expected to be the third business day after each early redemption observation date

Stated maturity date (to be set on the trade date): a specified date that is expected to be the third scheduled business day after the determination date, subject to adjustment as described under “Specific Terms of Your Notes — Stated Maturity Date” on page S-21

Determination date (to be set on the trade date): a specified date that is expected to be between December 17, 2020 and January 19, 2021, subject to adjustment as described under “Specific Terms of Your Notes — Determination Date” on page S-21

No interest: the notes will not bear interest

No listing: the notes will not be listed on any securities exchange or interdealer market quotation system

Calculation agent: GS&Co.

Business day: as described under “Specific Terms of Your Notes — Special Calculation Provisions — Business Day” on page S-23

Trading day: as described under “Specific Terms of Your Notes — Special Calculation Provisions — Trading Day” on page S-23

CUSIP no.: 40056FGA7

ISIN no.: US40056FGA75

FDIC: the notes are not bank deposits and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency, nor are they obligations of, or guaranteed by, a bank

HYPOTHETICAL EXAMPLES

(Hypothetical terms only. Actual terms may vary.)

The following examples are provided for purposes of illustration only. They should not be taken as an indication or prediction of future investment results and are intended merely to illustrate the impact that the various hypothetical underlying index levels on an early redemption observation date or the determination date could have on the cash settlement amount on an early redemption date or at maturity assuming all other variables remain constant.

The examples below are based on a range of underlying index levels that are entirely hypothetical; no one can predict what the underlying index level will be on any early redemption observation date, and no one can predict what the final underlying index level will be on the determination date. The underlying index has been highly volatile in the past — meaning that the underlying index level has changed considerably in relatively short periods — and its performance cannot be predicted for any future period.

The information in the following examples reflects hypothetical rates of return on the offered notes assuming that they are purchased on the original issue date at the face amount and held to an early redemption date or the stated maturity date. If you sell your notes in a secondary market prior to an early redemption date or the stated maturity date, your return will depend upon the market value of your notes at the time of sale, which may be affected by a number of factors that are not reflected in the examples below such as interest rates, the volatility of the underlying index, the creditworthiness of GS Finance Corp., as issuer, and the creditworthiness of The Goldman Sachs Group, Inc., as guarantor. In addition, the estimated value of your notes at the time the terms of your notes are set on the trade date (as determined by reference to pricing models used by GS&Co.) is less than the original issue price of your notes. For more information on the estimated value of your notes, see "Additional Risk Factors Specific to Your Notes — The Estimated Value of Your Notes At the Time the Terms of Your Notes Are Set On the Trade Date (as Determined By Reference to Pricing Models Used By GS&Co.) Is Less Than the Original Issue Price Of Your Notes" on page S-11 of this prospectus supplement. The information in the examples also reflects the key terms and assumptions in the box below. The actual terms will be set on the trade date.

Key Terms and Assumptions	
Face amount	$1,000
Lower barrier	The initial underlying index level minus 25.00% of the initial underlying index level
Contingent return	1.00%
The notes are not automatically redeemed early, unless otherwise indicated below	
Neither a market disruption event nor a non-trading day occurs on any early redemption observation date or the originally scheduled determination date	
No change in or affecting any of the underlying index stocks or the method by which the underlying index sponsor calculates the underlying index	
Notes purchased on original issue date at the face amount and held to an early redemption date or the stated maturity date	

Moreover, we have not yet set the initial underlying index level that will serve as the baseline for determining the underlying index return, the lower barrier, whether a barrier event has occurred and the amount that we will pay on your notes on an early redemption date or at maturity. We will not do so until the trade date. As a result, the actual initial underlying index level may differ substantially from the underlying index level prior to the trade date.

For these reasons, the actual performance of the underlying index over the life of your notes, as well as the amount payable on any early redemption date or at maturity, may bear little relation to the hypothetical examples shown below or to the historical underlying index levels shown elsewhere in this prospectus supplement. For information about the historical levels of the underlying index during recent periods, see "The Underlying Index — Historical Closing Levels of the Underlying Index" below. Before investing in the offered notes, you should consult publicly available information to determine the levels of the underlying index between the date of this prospectus supplement and the date of your purchase of the offered notes.

Also, the hypothetical examples shown below do not take into account the effects of applicable taxes. Because of the U.S. tax treatment applicable to your notes, tax liabilities could affect the after-tax rate of return on your notes to a comparatively greater extent than the after-tax return on the underlying index stocks.

Hypothetical Payment on an Early Redemption Date

The example below shows hypothetical payment that we would pay on the corresponding early redemption date with respect to each $1,000 face amount of the notes if the closing level of the underlying index is less than the lower barrier on an early redemption observation date.

If your notes are automatically redeemed early on any early redemption observation date (i.e., on the applicable early redemption observation date the closing level of the underlying index is less than the lower barrier), the cash settlement amount that we would deliver for each $1,000 face amount of your notes on the applicable early redemption date would be the sum of (i) $1,000 plus (ii) the product of $1,000 times the contingent return. If, for example, the closing level of the underlying index on an early redemption observation date were determined to be 70.000% of the initial underlying index level, your notes would be automatically redeemed early and the cash settlement amount that we would deliver on your notes on the corresponding early redemption date would be 101.000% of the face amount of your notes or $1,010 for each $1,000 of the face amount of your notes.

Hypothetical Payment at Maturity

If your notes are not automatically redeemed early on any early redemption observation date (i.e., on each of the early redemption observation dates the closing level of the underlying index is equal to or greater than the lower barrier), the cash settlement amount we would deliver for each $1,000 face amount of your notes on the stated maturity date will depend on the performance of the underlying index on the determination date, as shown in the table below. The table below assumes that the notes have not been automatically redeemed early on any early redemption observation date and reflects hypothetical cash settlement amounts that you could receive on the stated maturity date.

The levels in the left column of the table below represent hypothetical final underlying index levels and are expressed as percentages of the initial underlying index level. The amounts in the middle column represent the hypothetical cash settlement amounts, based on the corresponding hypothetical final underlying index level (expressed as a percentage of the initial underlying index level), assuming that a barrier event does not occur (i.e., the final underlying index level is less than the initial underlying index level but has not decreased below the lower barrier), and are expressed as percentages of the face amount of a note (rounded to the nearest one-thousandth of a percent). The amounts in the right column represent the hypothetical cash settlement amounts, based on the corresponding hypothetical final underlying index level (expressed as a percentage of the initial underlying index level), assuming that a barrier event occurs (i.e., the final underlying index level is equal to or greater than the initial underlying index level or has decreased below the lower barrier), and are expressed as percentages of the face amount of a note (rounded to the nearest one-thousandth of a percent). Thus, a hypothetical cash settlement amount of 100.000% means that the value of the cash payment that we would deliver for each $1,000 of the outstanding face amount of the offered notes on the stated maturity date would equal 100.000% of the face amount of a note, based on the corresponding hypothetical final underlying index level (expressed as a percentage of the initial underlying index level) and the assumptions noted above.

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The Notes Have Not Been Automatically Redeemed Early

Hypothetical Final Underlying Index Level (as Percentage of Initial Underlying Index Level)	Hypothetical Cash Settlement Amount (as Percentage of Face Amount)	
	Barrier Event Has Not Occurred	Barrier Event Has Occurred
175.000%	N/A	101.000%
160.000%	N/A	101.000%
150.000%	N/A	101.000%
140.000%	N/A	101.000%
125.000%	N/A	101.000%
120.000%	N/A	101.000%
110.000%	N/A	101.000%
105.000%	N/A	101.000%
100.000%	N/A	101.000%
99.500%	100.500%	N/A
99.250%	100.750%	N/A
99.000%	101.000%	N/A
95.000%	105.000%	N/A
90.000%	110.000%	N/A
85.000%	115.000%	N/A
75.000%	125.000%	N/A
74.999%	N/A	101.000%
50.000%	N/A	101.000%
25.000%	N/A	101.000%
0.000%	N/A	101.000%

If, for example, a barrier event has occurred and the final underlying index level were determined to be 25.000% of the initial underlying index level, the cash settlement amount that we would deliver on your notes at maturity would be 101.000% of the face amount of your notes, as shown in the table above. Similarly, if a barrier event has occurred and the final underlying index level were determined to be 175.000% of the initial underlying index level, the cash settlement amount that we would deliver on your notes at maturity would be 101.000% of the face amount of your notes, as shown in the table above.

If, for example, a barrier event has not occurred and the final underlying index level were determined to be 90.000% of the initial underlying index level, the absolute value of the underlying index return would be 10.000% and the cash settlement amount that we would deliver on your notes at maturity would be 110.000% of the face amount of your notes, as shown in the table above. However, you will benefit from the absolute value of the underlying index return only if a barrier event has not occurred. Because a barrier event will occur if the final underlying index level is below the lower barrier (the initial underlying index level minus 25.00% of the initial underlying index level, rounded to the nearest one-hundredth) or at or above the initial underlying index level, the cash settlement amount that we will deliver at maturity if a barrier event has not occurred will be limited to a maximum of 125.000% (representing a maximum return of 25.000%) of the face amount. As a result, you would not benefit from a final underlying index level that is below the lower barrier or at or above the initial underlying index level. In fact, a final underlying index level that is at or above the initial underlying index level or below the lower barrier will cause the cash settlement amount that we will deliver at maturity to be limited to 101.000% (representing a contingent return of 1.000%) of the face amount.

The following chart also shows a graphical illustration of the hypothetical cash settlement amounts (expressed as a percentage of the face amount of your notes) that we would pay on your notes on the stated maturity date, if the final underlying index level (expressed as a percentage of the initial underlying index level) were any of the hypothetical levels shown on the horizontal axis. The chart shows that, if a barrier event occurs (i.e., the final underlying index level is less than the lower barrier or the final underlying index level is equal to or greater than the initial underlying index level), it would result in a hypothetical payment amount of 101.000% of the face amount of the notes (the horizontal line that crosses the 101.000% marker on the vertical axis). The chart also shows that, if a barrier event does not occur, it would result in a hypothetical payment amount that is greater than 100.000%, but less than or equal to 125.000%, of the face amount of the notes (the section above the 100.000% marker on the vertical axis but on or below the 125.000% marker on the vertical axis).

The cash settlement amounts shown above are entirely hypothetical; they are based on market prices for the underlying index stocks that may not be achieved on an early redemption observation date or the determination date and on assumptions that may prove to be erroneous. The actual market value of your notes on the stated maturity date or at any other time, including any time you may wish to sell your notes, may bear little relation to the hypothetical cash settlement amounts shown above, and these amounts should not be viewed as an indication of the financial return on an investment in the offered notes. The hypothetical cash settlement amounts on notes held to the stated maturity date in the examples above assume you purchased your notes at their face amount and have not been adjusted to reflect the actual issue price you pay for your notes. The return on your investment (whether positive or negative) in your notes will be affected by the amount you pay for your notes. If you purchase your notes for a price other than the face amount, the return on your investment will differ from, and may be significantly lower than, the hypothetical returns suggested by the above examples. Please read "Additional Risk Factors Specific to Your Notes — The Market Value of Your Notes May Be Influenced by Many Unpredictable Factors" on page S-14.

Payments on the notes are economically equivalent to the amounts that would be paid on a combination of other instruments. For example, payments on the notes are economically equivalent to a combination of a bond bought by the holder and one or more options entered into between the holder and us. Therefore, the terms of the notes may be impacted by the various factors mentioned on page S-14 in the section "Additional Risk Factors Specific to Your Notes — The Market Value of Your Notes May Be Influenced by Many Unpredictable Factors". The discussion in this paragraph does not modify or affect the terms of the notes or the U.S. federal income tax treatment of the notes, as described elsewhere in this prospectus supplement.

We cannot predict the actual final underlying index level or what the market value of your notes will be on any particular trading day, nor can we predict the relationship between the underlying index level and the market value of your notes at any time prior to the stated maturity date. The actual amount that you will receive on an early redemption date or at maturity and the rate of return on the offered notes will depend on whether or not the notes are automatically redeemed early and the actual initial underlying index level, which we will set on the trade date, the actual closing level of the underlying index on any early redemption observation date and the actual final underlying index level determined by the calculation agent as described above. Moreover, the assumptions on which the hypothetical returns are based may turn out to be inaccurate. Consequently, the amount of cash to be paid in respect of your notes on an early redemption date or the stated maturity date may be very different from the information reflected in the examples above.

ADDITIONAL RISK FACTORS SPECIFIC TO YOUR NOTES

An investment in your notes is subject to the risks described below, as well as the risks and considerations described in the accompanying prospectus and in the accompanying prospectus supplement. You should carefully review these risks and considerations as well as the terms of the notes described herein and in the accompanying prospectus and the accompanying prospectus supplement. Your notes are a riskier investment than ordinary debt securities. Also, your notes are not equivalent to investing directly in the underlying index stocks, i.e., the stocks comprising the underlying index to which your notes are linked. You should carefully consider whether the offered notes are suited to your particular circumstances.

The Estimated Value of Your Notes At the Time the Terms of Your Notes Are Set On the Trade Date (as Determined By Reference to Pricing Models Used By GS&Co.) Is Less Than the Original Issue Price Of Your Notes

The original issue price for your notes exceeds the estimated value of your notes as of the time the terms of your notes are set on the trade date, as determined by reference to GS&Co.'s pricing models and taking into account our credit spreads. Such estimated value on the trade date is set forth above under "Estimated Value of Your Notes"; after the trade date, the estimated value as determined by reference to these models will be affected by changes in market conditions, the creditworthiness of GS Finance Corp., as issuer, the creditworthiness of The Goldman Sachs Group, Inc., as guarantor, and other relevant factors. The price at which GS&Co. would initially buy or sell your notes (if GS&Co. makes a market, which it is not obligated to do), and the value that GS&Co. will initially use for account statements and otherwise, also exceeds the estimated value of your notes as determined by reference to these models. As agreed by GS&Co. and the distribution participants, this excess (i.e., the additional amount described under "Estimated Value of Your Notes") will decline to zero on a straight line basis over the period set forth above under "Estimated Value of Your Notes". Thereafter, if GS&Co. buys or sells your notes it will do so at prices that reflect the estimated value determined by reference to such pricing models at that time. The price at which GS&Co. will buy or sell your notes at any time also will reflect its then current bid and ask spread for similar sized trades of structured notes.

In estimating the value of your notes as of the time the terms of your notes are set on the trade date, as disclosed above under "Estimated Value of Your Notes", GS&Co.'s pricing models consider certain variables, including principally our credit spreads, interest rates (forecasted, current and historical rates), volatility, price-sensitivity analysis and the time to maturity of the notes. These pricing models are proprietary and rely in part on certain assumptions about future events, which may prove to be incorrect. As a result, the actual value you would receive if you sold your notes in the secondary market, if any, to others may differ, perhaps materially, from the estimated value of your notes determined by reference to our models due to, among other things, any differences in pricing models or assumptions used by others. See "— The Market Value of Your Notes May Be Influenced by Many Unpredictable Factors" below.

The difference between the estimated value of your notes as of the time the terms of your notes are set on the trade date and the original issue price is a result of certain factors, including principally the underwriting discount and commissions, the expenses incurred in creating, documenting and marketing the notes, and an estimate of the difference between the amounts we pay to GS&Co. and the amounts GS&Co. pays to us in connection with your notes. We pay to GS&Co. amounts based on what we would pay to holders of a non-structured note with a similar maturity. In return for such payment, GS&Co. pays to us the amounts we owe under your notes.

In addition to the factors discussed above, the value and quoted price of your notes at any time will reflect many factors and cannot be predicted. If GS&Co. makes a market in the notes, the price quoted by GS&Co. would reflect any changes in market conditions and other relevant factors, including any deterioration in our creditworthiness or perceived creditworthiness or the creditworthiness or perceived creditworthiness of The Goldman Sachs Group, Inc. These changes may adversely affect the value of your notes, including the price you may receive for your notes in any market making transaction. To the extent that GS&Co. makes a market in the notes, the quoted price will reflect the estimated value determined by reference to GS&Co.'s pricing models at that time, plus or minus its then current bid and ask spread for similar sized trades of structured notes (and subject to the declining excess amount described above).

Furthermore, if you sell your notes, you will likely be charged a commission for secondary market transactions, or the price will likely reflect a dealer discount. This commission or discount will further reduce the proceeds you would receive for your notes in a secondary market sale.

There is no assurance that GS&Co. or any other party will be willing to purchase your notes at any price and, in this regard, GS&Co. is not obligated to make a market in the notes. See "— Your Notes May Not Have an Active Trading Market" below.

The Notes Are Subject to the Credit Risk of the Issuer and the Guarantor

Although the return on the notes will be based on the performance of the underlying index, the payment of any amount due on the notes is subject to the credit risk of GS Finance Corp., as issuer of the notes, and the credit risk of The Goldman Sachs Group, Inc., as guarantor of the notes. The notes are our unsecured obligations. Investors are dependent on our ability to pay all amounts due on the notes, and therefore investors are subject to our credit risk and to changes in the market's view of our creditworthiness. Similarly, investors are dependent on the ability of The Goldman Sachs Group, Inc., as guarantor of the notes, to pay all amounts due on the notes, and therefore are also subject to its credit risk and to changes in the market's view of its creditworthiness. See "Description of the Notes We May Offer — Information About Our Medium-Term Notes, Series E Program — How the Notes Rank Against Other Debt" on page S-4 of the accompanying prospectus supplement and "Description of Debt Securities We May Offer — Guarantee by The Goldman Sachs Group, Inc." on page 42 of the accompanying prospectus.

The Potential for the Value of Your Notes to Increase Will Be Limited

If your notes are automatically redeemed early, the cash settlement amount on the relevant early redemption date for each $1,000 face amount of your notes will be limited to $1,010 (representing a return of 1.00%), regardless of the closing level of the underlying index on such early redemption observation date.

If your notes are not automatically redeemed early, the cash settlement amount at maturity will be based on the absolute value of the underlying index return. If a barrier event has not occurred, your return on the notes will equal the absolute value of the underlying index return, limiting your cash settlement amount to no less than $1,000.00 and no more than $1,250.00 for each $1,000 face amount of your notes. This means that the cash settlement amount on your notes is limited to 100%, on the lower end of the range, and 125.00%, on the higher end of the range (representing a return of between 0%, on the lower end of the range, and 25.00%, on the higher end of the range) of the face amount. However, if a barrier event has occurred, your return on the notes will be 1.00% and the cash settlement amount that we will deliver at maturity will be equal to $1,010 for each $1,000 face amount of your notes. As a result, you would not benefit from a final underlying index level on the determination date that is at or above the initial underlying index level or below the lower barrier. In fact, a final underlying index level on the determination date that is equal to or above the initial underlying index level or below the lower barrier will cause the cash settlement amount that we will deliver at maturity to be limited to 101.00% (representing a return of 1.00%) of the face amount. Further, you should be aware that, even if a barrier event has not occurred, the cash settlement amount that we will deliver at maturity will be less than 101.00% (representing less than the contingent return of 1.00%) of the face amoul 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 September 30, 2015 and the results of its operations for the nine months ended September 30, 2015 and 2014, stockholders' equity for the nine months ended September 30, 2015 and cash flows for the nine months ended September 30, 2015 and 2014. 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 nine month period ended September 30, 2015, are not necessarily indicative of the operating results that may be expected for the year ending December 31, 2015.

The balance sheet as of December 31, 2014 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.

References in this Quarterly Report on Form 10-Q to “authoritative guidance” is to the Accounting Standards Codification issued by the Financial Accounting Standards Board (“FASB”).

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, 2014.

Recent Accounting Pronouncements

In May 2014, the FASB issued a new standard on revenue recognition which outlines a single comprehensive model to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard is designed to create greater comparability for financial statement users across industries and jurisdictions and also requires enhanced disclosures. The guidance was to have been effective for fiscal years, and interim periods within those years, beginning after December 15, 2016. On July 9, 2015, the FASB decided to defer the effective date of the standard by one year which will make the guidance effective for the Company beginning in the first quarter of 2018. Early adoption is permitted beginning in the first quarter of 2017 for public companies. The Company is currently evaluating the impact of the adoption of this standard on the consolidated financial statements.

In August 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-15, "Presentation of Financial Statements - Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern" ("ASU 2014-15"). ASU 2014-15 is intended to define management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. Specifically, ASU 2014-15 provides a definition of the term substantial doubt and requires an assessment for a period of one year after the date that the financial statements are issued (or available to be issued). It also requires certain disclosures when substantial doubt is alleviated as a result of consideration of management's plans and requires an express statement and other disclosures when substantial doubt is not alleviated. The new standard will be effective for reporting periods beginning after December 15, 2016, with early adoption permitted. Management is currently evaluating the impact of the adoption of ASU 2014-14 on the consolidated financial statements and disclosures.

In July 2015, the FASB issued Accounting Standards Update 2015-11, *Inventory (Topic 330): Simplifying the Measurement of Inventory* ("ASU 2015-11") which changes the measurement principle for inventory from the lower of cost or market to the lower of cost and net realizable value. ASU 2015-11 defines net realizable value as estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The new guidance must be applied on a prospective basis and is effective for periods beginning after December 15, 2016, with early adoption permitted. The Company is currently evaluating the effect that the new guidance will have on its financial statements and related disclosures.

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. Significant estimates and assumptions that affect amounts reported in the financial statements include the evaluation of goodwill for impairment, valuation of intangible assets, deferred tax valuation allowances, and the fair value of stock options granted under the Company's stock-based compensation plans. Due to the inherent uncertainties involved in making estimates, actual results reported in future periods may be different from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash and highly liquid investments with original maturities of three months or less when purchased. There were no cash equivalents held on September 30, 2015 and December 31, 2014.

Allowance for Doubtful Accounts

The Company records its allowance for doubtful accounts based upon its assessment of various factors. The Company considers historical experience, the age of the accounts receivable balances, credit quality of the Company's customers, current economic conditions and other factors that may affect customers' ability to pay.

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.

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Goodwill

Goodwill represents the excess of acquisition cost over the fair value of net assets acquired in business combinations. Pursuant to ASC Topic 350, the Company tests goodwill for impairment on an annual basis in the fourth quarter, or between annual tests, in certain circumstances. Under guidance, the Company first assessed qualitative factors to determine whether it was necessary to perform the two-step quantitative goodwill impairment test. An entity is not required to calculate the fair value of a reporting unit unless the entity determines, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. Events or changes in circumstances which could trigger an impairment review include macroeconomic conditions, industry and market conditions, cost factors, overall financial performance, other entity specific events and sustained decrease in share price. Refer to Note 3 for further discussion of the goodwill impairment test performed by the Company as of September 30, 2015.

Intangible Assets

Intangible assets include primarily trade names, patents and customer relationships. The Company uses the straight line method to amortize these assets over their estimated useful lives. The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be fully recoverable in accordance with ASC Topic 360. To determine recoverability of its long-lived assets, the Company evaluates the probability that future undiscounted net cash flows, without interest charges, will be less than the carrying amount of the assets. There were no impairment charges recognized during the nine months ended September 30, 2015 and 2014.

Income Taxes

The Company accounts for income taxes under in accordance with ASC Topic 740, "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 September 30, 2015 and December 31, 2014, due to the uncertainty of the realizability of those assets.

Financial Instruments

The Company adheres to the provisions of ASC Topic 820, which requires that the Company to 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. The Company's financial instruments include cash and cash equivalents, accounts receivable, accounts payable and accrued expenses. At September 30, 2015 and December 31, 2014, the carrying value of the Company's financial instruments approximated fair value, due to their short-term nature.

Revenue Recognition and Deferred Revenue

Revenue is generally recognized when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed and determinable, collectability is probable, and there is no future Company involvement or commitment. The Company sells its commercial products directly through its sales force and through distributors. Revenue from direct sales of products is recognized when shipped to the customer and title has passed.

Under the provisions of ASC Topic 605-25, "Revenue Arrangements with Multiple Deliverables," for multi-element arrangements that include tangible products containing software essential to the tangible product's functionality and undelivered software elements relating to the tangible product's essential software, the Company allocates revenue to all deliverables based on their relative selling prices. In such circumstances, the Company uses a hierarchy to determine the selling price to be used for allocating revenue to deliverables: (i) vendor-specific objective evidence of fair value ("VSOE"), (ii) third-party evidence of selling price and (iii) best estimate of the selling price ("ESP"). VSOE generally exists only when the Company sells the deliverable separately and is the price actually charged by the Company for that deliverable. ESPs reflect the Company's best estimates of what the selling prices of elements would be if they were sold regularly on a stand-alone basis.

The Company also recognizes revenues from licensing of its patented software to customers. The licensed software requires continuing service or post contractual customer support and performance; 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 to three years. Royalties from the licensing of the Company's technology are recognized as revenues in the period they are earned.

The Company also performs consulting work for other companies. These services are billed based on time and materials. Revenue from these arrangements is also recognized as time is spent on the contract and materials are purchased.

Subscriptions to database information can be purchased for month-to-month, one, two, and three year periods. Revenue from subscriptions are deferred and recognized over the contractual period, which is typically three years.

The Company offers enhanced extended warranties for its sales of hardware and software at a set price. The revenue from these sales are deferred and recognized on a straight-line basis over the contractual period, which is typically one to four years.

Business Concentrations and Credit Risk

During the three and nine month periods ended September 30, 2015, the Company made sales to two customers that accounted for approximately 51% and 40% of total revenues, respectively. The revenue was associated with a commercial identity sales customer and a Defense ID sale. These customers represented 51% of total accounts receivable at September 30, 2015. During the three month period ended September 30, 2014, the Company made sales to one customer that accounted for approximately 10% of total revenues. The revenue was associated with a commercial ID Check sale. There were no significant customers for the nine months ended September 30, 2014.

Net (Loss) Income Per Share

Basic net (loss) income per share is computed by dividing the net (loss) income for the period by the weighted average number of common shares outstanding during the period. Diluted net (loss) income per share is computed by dividing the net (loss) income for the period by the weighted average number of shares of common stock and potentially dilutive common stock outstanding during the period. The dilutive effect of outstanding options and restricted stock is reflected in diluted earnings per share by application of the treasury stock method. The calculation of diluted net (loss) income per share excludes all anti-dilutive shares.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Numerator:				
Net (loss) income	$(1,267,797)	$327,743	$(3,783,883)	$(1,683,008)
Denominator:				
Weighted average common shares – basic	9,851,764	4,932,057	9,584,582	4,756,703
Dilutive effect of equity incentive plans	-	13,750	-	-
Weighted average common shares – diluted	9,851,764	4,945,807	9,584,582	4,756,703
Net (loss) income per share-				
Basic	$(0.13)	$0.07	$(0.39)	$(0.35)
Diluted	$(0.13)	$0.07	$(0.39)	$(0.35)

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The following table summarizes the common stock equivalents excluded from income (loss) per diluted share because their effect would be anti-dilutive:

	Three Months Ended		**Nine Months Ended**	
	September 30,		**September 30,**	
	2015	**2014**	**2015**	**2014**
Warrants	64,981	64,981	64,981	64,981
Restricted Stock	68,743	-	68,743	-
Stock options	1,905,362	61,728	1,905,362	75,478
	2,039,086	126,709	2,039,086	140,459

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.

3. INTANGIBLE ASSETS AND GOODWILL

The changes in the carrying amount of intangible assets for nine months ended September 30, 2015 were as follows:

Balance at December 31, 2014	$3,307,797
Addition: Acquisition of patent	125,000
Deduction: Amortization expense	(701,460)
Deduction: Disposal of trademarks	(64,819)
Balance at September 30, 2015	$2,666,518

The following summarizes amortization of intangible assets included in the statement of operations:

	Three Months Ended		**Nine Months Ended**	
	September 30,		**September 30,**	
	2015	**2014**	**2015**	**2014**
Cost of sales	$59,163	$59,163	$288,898	$242,354
General and administrative	138,090	28,785	412,562	96,688

$197,253	$87,948	$701,460	$339,042

As a result of a decline in the Company's stock price during the first three quarters of 2015, the Company concluded that this development was deemed a "triggering" event requiring that goodwill be tested for impairment as of September 30, 2015. The carrying amount of the Company's goodwill was $8,101,661 as of September 30, 2015 and December 31, 2014. The Company performed the first step of the goodwill impairment test as of September 30, 2015 and June 30, 2015 in order to identify potential impairment by comparing its fair value to its carrying amount, including goodwill. The fair value was determined using certain valuation techniques, including a discounted cash flow analysis and an estimation of an implied control premium, in addition to the Company's market capitalization on the measurement date. The implied control premium selected was developed based on certain observable market data of comparable companies. The market capitalization is sensitive to the volatility of the Company's stock price. Based upon the first step of the goodwill impairment test performed as of September 30, 2015, the Company determined that the fair value was in excess of its carrying amount and therefore the second step of the goodwill impairment test was not required.

4. SALE OF WIRELESS ASSETS

On August 31, 2015, the Company sold the wireless enterprise assets to the Jamestown S'Klallam Tribe (the "Buyer") for total consideration of $350,000 which consists of an upfront cash payment of $30,000, the issuance of a promissory note totaling $200,000 and contingent consideration up to a maximum of $120,000 based on future earnings. The Company recognized a gain on the sale of approximately $109,000. Total assets disposed included certain trade names associated with the wireless assets with a net book value of approximately $65,000 and certain fixed assets with a net book value of approximately $56,000. Any gain on contingent consideration will be recognized as it is earned.

Under the terms of the promissory note, monthly payments of $3,683 including principal and interest at 4%, are to be made over a 60-month term expiring in August 2020. At September 30, 2015, the total note receivable is $196,983, of which $36,870 and $160,113 is included in Other current assets and Notes Receivable, net of current portion, respectively on the Consolidated Balance Sheets.

5. DEBT

Revolving Line of Credit

The Company entered into a revolving credit facility with Silicon Valley Bank. The maximum borrowing under the facility is $2,000,000. Borrowings under the facility are subject to certain limitations based on a percentage of accounts receivable, as defined in the agreement, and are secured by all of the Company's assets. The facility bears interest at a rate of U.S. prime (3.25% at September 30, 2015) plus 1.25% - 1.75%, depending on the Company's cash plus availability. Interest is payable monthly and the principal is due upon maturity on October 15, 2015. At September 30, 2015, there were no amounts outstanding, and unused availability under the facility was approximately $1,172,000.

The facility contains a tangible net worth covenant requiring that, as of each monthly reporting, total assets minus intangible assets minus capitalized software development costs minus total liabilities plus subordinated debt is at least equal to $1,948,400, starting October 15, 2014, and increasing immediately by 50% for new debt or equity received and 50% of quarterly net income (with no reduction for losses).

The Company renewed and amended this facility on October 5, 2015. The amended maximum borrowing under the facility is $2,000,000 less a sublimit of $262,500 in pledged banking services and as defined in the agreement, and the borrowings are secured by certain collateralized accounts. The facility bears interest at a rate of U.S. prime (3.25% at November 10, 2015). Interest is payable monthly and the principal is due upon maturity on October 5, 2017. At November 10, 2015, there were no amounts outstanding under this facility.

Note Payable

In January 2015, the Company financed $31,000 of the purchase of a vehicle under a term loan agreement with an auto financing company. Under the terms of the agreement, the annual interest rate is 9.74% and monthly payments of approximately $659 consisting of principal and interest is required over a 60 month term which matures in December 2019. This loan was paid off in full in August 2015.

6. ACCRUED EXPENSES

Accrued expenses are comprised of the following:

	September 30, 2015	**December 31, 2014**
Professional fees	$ 105,956	$ 92,103
Non-compete agreement	82,500	417,500
Payroll and related	332,232	309,348
Other	65,892	96,858
	$ 586,580	$ 915,809

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7. INCOME TAXES

As of December 31, 2014, the Company had net operating loss carryforwards (NOL's) for federal and New York state income tax purposes of approximately $42.9 million. There can be no assurance that the Company will realize any benefit of the NOL's. The federal and New York state NOL's are available to offset future taxable income and expire from 2018 through 2030 if not utilized. Under Section 382 of the Internal Revenue Code, these NOL's may be limited due to ownership changes. The Company has not yet completed its review to determine whether or not these NOL's will be limited under Section 382 of the Internal Revenue Code.

The Company has recorded a full valuation allowance against its net deferred assets since management believes that it is more likely than not that these assets will not be realized.

The effective tax rate for the nine months ended September 30, 2015 and 2014 is different from the tax benefit that would result from applying the statutory tax rates primarily due to the recognition of valuation allowances.

8. SHARE BASED COMPENSATION

The Company accounts for the issuance of equity awards to employees in accordance with ASC Topic 718 and 505, which requires that the cost resulting from all share based payment transactions be recognized in the financial statements. These pronouncements establish fair value as the measurement objective in accounting for share based payment arrangements and requires all companies to apply a fair value based measurement method in accounting for all share based payment transactions with employees.

All stock-based compensation is included in operating expenses for the periods as follows:

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
	2015	**2014**	**2015**	**2014**
Compensation cost recognized:				
General and administrative	$396,654	$4,928	$642,169	$6,927
Research and development	21,830	757	43,723	3,339
	$418,484	$5,685	$685,892	$10,266

The Company uses the Black-Scholes option pricing model to value the options. The table below presents the weighted average expected life of the options in years. The expected life computation is based on the time to option expiration. Volatility is determined using changes in historical stock prices. The interest rate for periods within the expected life of the award is based on the U.S. Treasury yield curve in effect at the time of grant.

The fair value of share-based payment units was estimated using the Black-Scholes option pricing model with the following assumptions and weighted average fair values as follows:

	Nine Months Ended September 30, 2015	
Valuation assumptions:		
Stock price	$1.15 - $1.56	
Exercise price	$1.15 - $1.56	
Expected dividend yield	0	%
Expected volatility	95.5% - 99.2	%
Expected life (in years)	5	
Risk-free interest rate	1.37% - 1.62	%

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Stock option activity under the 1998, 1999, 2001, 2003, 2006 and 2015 Stock Option Plans (collectively, the “Plans”) during the periods indicated below were as follows:

	Number of Shares Subject to Issuance	**Weighted-average Exercise Price**	**Weighted-average Remaining Contractual Term**	**Aggregate Intrinsic Value**
Outstanding at December 31, 2014	235,478	$ 5.95	4.44 years	$ -
Granted	1,689,882	1.18	-	-
Forfeited or expired	(19,685)	(26.39)	-	-
Exercised	(313)	3.12	-	-
Outstanding at September 30, 2015	1,905,362	$ 1.51	4.75 years	$ -
Exercisable at September 30, 2015	459,582	$ 1.66	4.70 years	-

As of September 30, 2015, the Company had 278,326 shares available for future grants under the Plans.

Restricted Stock Units

The Company issues Restricted Stock Units (“RSUs”) which are equity-based instruments that may be settled in shares of common stock of the Company. During the nine months ended September 30, 2015, the Company issued RSUs to certain directors as compensation. RSU agreements can vest immediately or with the passage of time. The vesting of all RSUs is contingent on continued board services.

The compensation expense incurred by the Company for RSUs is based on the closing market price of the Company’s common stock on the date of grant and is amortized ratably on a straight-line basis over the requisite service period and charged to general and administrative expense with a corresponding increase to additional paid-in capital. During the three and nine months ended September 30, 2015, charges associated with RSUs were $41,400 and $146,900, respectively. There were no charges associated with RSUs for the three and nine month periods ended September 30, 2014.

	Number of Shares	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value
Outstanding at December 31, 2014	31,807	$ 3.93	$ -
Granted	99,620	1.28	-
Vested and Settled in Shares	(62,684)	(2.40)	-
Outstanding at September 30, 2015	68,743	$ 1.48	$ -

As of September 30, 2015, there was $28,475 of total unrecognized compensation cost related to non-vested share-based compensation arrangements from previously granted RSUs. That cost is expected to be recognized over a weighted-average period of approximately four months.

As of September 30, 2015, there was $1,332,266 of total unrecognized compensation cost, net of estimated forfeitures, related to all unvested stock options and restricted stock units, which is expected to be recognized over a weighted average period of approximately 2.65 years.

Warrants

All previously granted warrants were issued with an exercise price that was equal to or above the fair market value of the Company's common stock on the date of grant. As of September 30, 2015, the Company had 64,981 remaining warrants outstanding and exercisable through 2019. No warrants were exercised for the nine months ended September 30, 2015.

9. ISSUANCE OF COMMON STOCK

On January 14, 2014, the Company completed a public offering of 1,118,375 shares of common stock at a price to the public of $3.60 per share. The number of shares the Company sold includes the underwriters' full exercise of their over-allotment option of 145,875 shares. Net proceeds to the Company from the offering, before expenses, were approximately $3,644,000. The underwriter received a warrant to purchase 48,625 shares of common stock, at the price of $4.48 (125% of the price of the shares sold in the offering), which will be exercisable one year after the date of the offering and will expire on the fifth anniversary of that offering.

On April 10, 2014, the Company completed a public offering of 327,125 shares of common stock at a price to the public of $6.40 per share. Net proceeds to the Company from the offering, before expenses, were approximately $2,094,000. The underwriter received a warrant to purchase 16,356 shares of common stock, at a price of $8.00 per share (125% of the price of the shares sold in the offering), which will be exercisable one year after the date of the offering and will expire on the fifth anniversary of that offering.

On January 14, 2015, the Company announced the closing of an underwritten public offering of 4,857,143 shares of its common stock, offered to the public at $1.75 per share. Net proceeds to the Company from this offering were approximately $7,845,000 after deducting underwriting discounts and commissions paid by the Company. Direct offering costs totaling approximately $214,000 were recorded as a reduction to the net proceeds on the consolidated statement of stockholders' equity.

10. LEGAL PROCEEDINGS

The Company is not aware of any infringement by the Company's products or technology on the proprietary rights of others.

The Company is not currently involved in any legal or regulatory proceeding, or arbitration, the outcome of which is expected to have a material adverse effect on its business.

11. COMMITMENTS AND CONTINGENCIES

In March 2015, the Company entered into an agreement with public relations firm. The agreement is for an initial twelve month period, and can be terminated with 30 days written notice. The contract fee is $8,000 per month.

12. RELATED PARTY TRANSACTIONS

Mobilisa leases office space from an entity that is wholly-owned by two former directors, who are also former members of management. The Company entered into a 10-year lease for the office space ending in 2017. The annual rent for this facility is currently $85,498 and is subject to annual increases based on the increase in the CPI index plus 1%. The Company is a guarantor of the leased property. For the three and nine months ended September 30, 2015, total rental payments for this office space were $23,769 and $70,781, respectively. For the three and nine months ended September 30, 2014, total rental payments for this office space were $22,075 and $66,226, respectively.

On September 30, 2014, the CEO and a Senior Vice President (collectively, the "Executives"), who were also board members, retired from the Company and simultaneously resigned from the board of directors. In connection with the separation, the Company entered into a separation and consulting agreement with the Executives. Included as part of the arrangement, the Company committed to payments totaling $587,500 to be made over a period of 15 months. In exchange for the consideration, the Executives agreed not to compete with the Company, solicit any employee, contractor or consultant of the Company to terminate employment or contractual relationship with the Company, as well refrain from other activities, as defined in the agreement. There is a renewal option contained in each agreement, which must be mutually agreed by for an additional nine month period commencing on January 1, 2016 in exchange for monthly payments of $27,500. At September 30, 2014, the Company recorded the future payments of the agreement as a liability and as a non-compete intangible asset totaling $587,500. The costs of the non-compete will be amortized over the 15 month term of the agreement. For the three and nine months ended September 30, 2015, amortization expense recognized was $117,500 and $352,500, respectively. The Company made payments under this agreement of $170,000 and $335,000 for the year ended December 31, 2014 and the nine months ended September 30, 2015, respectively and will make three monthly payments of $27,500 beginning on October 1, 2015 as a result of entering into the agreements with the Executives.

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

References made in this Quarterly Report on Form 10-Q to "we," "our," "us," "Intellicheck," or the "Company," refer to Intellicheck Mobilisa, Inc.

The following discussion and analysis of our financial condition and results of operations constitutes management's review of the factors that affected our financial and operating performance for the three and nine month periods ended September 30, 2015 and 2014. This discussion should be read in conjunction with the financial statements and notes thereto contained elsewhere in this report and in our Annual Report on Form 10-K, for the year ended December 31, 2014. The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Mobilisa, Inc. ("Mobilisa") and Positive Access Corporation ("Positive Access").

Overview

Intellicheck Mobilisa, Inc. (the "Company" or "Intellicheck") is a leading technology company that is engaged in developing and marketing identity systems for various applications including mobile and handheld access control and security systems for the government, military and commercial markets. Products include the Defense ID and Fugitive Finder systems, advanced ID card access control products currently protecting military and federal locations, and ID-Check, a patented technology that instantly reads, analyzes, and verifies encoded data in magnetic stripes and barcodes on government-issue IDs from U.S. and Canadian jurisdictions designed to improve the Customer Experience for the financial, hospitality and retail sectors.

Critical Accounting Policies and the 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. Significant estimates and assumptions that affect amounts reported in the financial statements include impairment of goodwill, valuation of intangible assets, deferred tax valuation allowances, allowance for doubtful accounts and the fair value of stock options granted under the Company's stock-based compensation plans. Due to the inherent uncertainties involved in making estimates, actual results reported in future periods may be different 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, stock-based compensation, deferred taxes and commitments and contingencies. These policies and our procedures related to these policies are described in detail below.

Goodwill

The excess of the purchase consideration over the fair value of the assets of acquired businesses is considered goodwill. Under authoritative guidance, purchased goodwill is not amortized, but rather it is periodically reviewed for impairment. The Company had goodwill of $8,101,661 at September 30, 2015. This goodwill resulted from the acquisition of Mobilisa, Inc. and Positive Access Corporation.

As of December 31, 2014, as a result of equity market conditions and the resulting decrease in current market multiples and the Company's stock price, the Company compared the carrying amounts of its reporting unit to its estimated fair value, and determined that the carrying amount exceeded its estimated fair value. The Company calculated the impairment loss by deriving the implied fair value of the goodwill after allocating the estimated fair value of the reporting unit to tangible and intangible assets. The goodwill impairment charge was primarily driven by the deteriorating economic conditions that manifested themselves in the fourth quarter of 2014. The test determined that there was an impairment related to the carrying value of goodwill and the Company recorded an impairment charge of $4,207,000 in the fourth quarter of 2014. The Company considered whether long-lived assets were also impaired. As required by ASC 360, the Company compared the carrying amounts of the identified asset groups (including goodwill as required by ASC 360 to the undiscounted cash flow of the asset groups and determined that the Company's intangible assets were not impaired.

As of September 30, 2015, the Company concluded as a result of a decline in the Company's stock price during the first three quarters of 2015 it was deemed a "triggering" event requiring that goodwill be tested for impairment as of September 30, 2015. The Company performed the first step of the goodwill impairment test as of September 30, 2015 in order to identify potential impairment by comparing its fair value to its carrying amount, including goodwill. The fair value was determined using certain valuation techniques, including a discounted cash flow analysis and an estimation of an implied control premium, in addition to the Company's market capitalization on the measurement date. Based upon the first step of the goodwill impairment test performed as of September 30, 2015, the Company determined that the fair value was in excess of its carrying amount and therefore the second step of the goodwill impairment test was not required. While the Company believes it has made reasonable estimates and assumptions to calculate the fair value, it is a possible a material change could occur. For instance, a subsequent decline in the Company's common stock price would lower the market capitalization affecting the fair value of the Company. Additionally, market data used in the future assessment of the implied control premium could change the Company's current estimate. If actual results are not consistent with the Company's estimates and assumptions used to calculate fair value, performance of the second step might be required, which could result in an impairment of goodwill.

Revenue Recognition and Deferred Revenue

Revenue is generally recognized when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed and determinable, collectability is probable, and there is no future Company involvement or commitment. The Company sells its commercial products directly through its sales force and through distributors. Revenue from direct sales of products is recognized when shipped to the customer and title has passed.

Under the provisions of ASC Topic 605-25, "Revenue Arrangements with Multiple Deliverables," for multi-element arrangements that include tangible products containing software essential to the tangible product's functionality and undelivered software elements relating to the tangible product's essential software, the Company allocates revenue to all deliverables based on their relative selling prices. In such circumstances, the Company uses a hierarchy to determine the selling price to be used for allocating revenue to deliverables: (i) vendor-specific objective evidence of fair value ("VSOE"), (ii) third-party evidence of selling price and (iii) best estimate of the selling price ("ESP"). VSOE generally exists only when the Company sells the deliverable separately and is the price actually charged by the Company for that deliverable. ESPs reflect the Company's best estimates of what the selling prices of elements would be if they were sold regularly on a stand-alone basis.

The Company also recognizes revenues from licensing of its patented software to customers. The licensed software requires continuing service or post contractual customer support and performance; 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 to three years. Royalties from the licensing of the Company's technology are recognized as revenues in the period they are earned.

The Company also performs consulting work for other companies. These services are billed based on time and materials. Revenue from these arrangements is also recognized as time is spent on the contract and materials are purchased.

Subscriptions to database information can be purchased for month-to-month, one, two, and three year periods. Revenue from subscriptions are deferred and recognized over the contractual period, which is typically three years.

The Company offers enhanced extended warranties for its sales of hardware and software at a set price. The revenue from these sales are deferred and recognized on a straight-line basis over the contractual period, which is typically one to four years.

Stock-Based Compensation

The Company accounts for the issuance of equity awards to employees in accordance with ASC Topic 718 and 505, which requires that the cost resulting from all share based payment transactions be recognized in the financial statements. This pronouncement establishes fair value as the measurement objective in accounting for share based payment arrangements and requires all companies to apply a fair value based measurement method in accounting for all share based payment transactions with employees.

Deferred 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 carry forwards. 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. We have recorded a full valuation allowance for our net deferred tax assets as of September 30, 2015, due to the uncertainty of the our ability to realize those assets.

Commitments and Contingencies

We are not currently involved in any legal proceedings that we believe would 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.

Results of Operations (All figures have been rounded to the nearest $1,000)

Comparison of the three months ended September 30, 2015 to the three months ended September 30, 2014

Revenues for quarter ended September 30, 2015 decreased 32% to $2,199,000 compared to $3,218,000 for the previous year.

	Three months ended September 30,		
	2015	**2014**	**% Change**
Identity Systems	$2,175,000	$2,477,000	(12)
Wireless	24,000	741,000	(97)
	$2,199,000	$3,218,000	(32)

The decrease in Identity Systems revenue in the third quarter of 2015 is primarily the result of lower Defense ID sales offset by increased commercial identity sales. The decrease in Wireless revenue in the third quarter of 2015 is attributable to reduced wireless installation projects immediately prior to the sale of the wireless assets on August 31, 2015. Total booked orders decreased 34% to $2.04 million in the third quarter of 2015 compared to $3.08 million in the third quarter of 2014. As of September 30, 2015, our backlog, which represents non-cancelable sales orders for products not yet shipped and services to be performed, was approximately $898,000 compared to $710,000 at September 30, 2014. As of December 31, 2014, our backlog was approximately $530,000.

Our gross profit as a percentage of revenues was 63.5% for the three months ended September 30, 2015 compared to 62.6% for the three months ended September 30, 2014. The increase in percentage is due to an increase in the margins on Defense ID sales offset by increased sales of a particular type of equipment to a commercial customer that typically has a lower margin.

Operating expenses, which consist of selling, general and administrative and research and development expenses, increased $1,087,000 or 64% to $2,775,000 for the three months ended September 30, 2015 compared to $1,688,000 for the three months ended September 30, 2014. Selling expenses increased by $84,000 resulting from increased salaries due to the hiring of sales representatives. General and administrative expenses increased by $764,000 principally as a result of an amortization of the covenant not to compete, higher costs for stock compensation for stock options and restricted stock units issued during the current quarter and an increase in professional fees. Research and development costs increased by $239,000 principally driven by the Company using a specialized consulting firm for special projects in the current quarter primarily offset due to a decrease in salaries and wages.

Other income and expense of $112,000 for the three months ended September 30, 2015 consisted primarily of the gain on the sale of the wireless assets on August 31, 2015. Other income and expense was insignificant for the three months ended September 30, 2014.

As further explained in Note 7, the Company has a net operating loss carryforward for losses generated in prior years of $42.9 million and, therefore, no provision for income tax has been made for the three months ended September 30, 2015.

As a result of the factors noted above, the Company generated a net loss of $1,268,000 for the three months ended September 30, 2015 compared to net income of $328,000 for the three months ended September 30, 2014.

Comparison of the nine months ended September 30, 2015 to the nine months ended September 30, 2014

Revenues decreased by 0.5% to $5,478,000 for the nine months ended September 30, 2015 compared to $5,507,000 for the nine months ended September 30, 2014.

	Nine months ended September 30,		
	2015	**2014**	**% Change**
Identity Systems	$5.126.000	$4,576,000	12
Wireless	352,000	931,000	(62)
	$5,478,000	$5,507,000	(0.5)

The increase in Identity Systems revenues in the nine months ended September 30, 2015, is primarily the result of increased commercial identity sales offset by a decrease in Defense ID sales. The decrease in Wireless revenue in the period is attributable to reduced wireless installation projects immediately prior to the sale of the wireless assets on August 31, 2015.

Our gross profit as a percentage of revenues amounted to 55.3% for the nine months ended September 30, 2015 compared to 63.5% for the nine months ended September 30, 2014. The decrease in the percentage is due to the increased sales of a particular type of equipment to a commercial customer during the second and third quarters of 2015 that typically has a lower margin.

Operating expenses, which consist of selling, general and administrative and research and development expenses, increased $1,780,000 or 29% to $6,957,000 for the nine months ended September 30, 2015 from $5,177,000 for the nine months ended September 30, 2014. Selling expenses decreased by $82,000 principally due to decrease in sales salaries and related travel expenses. General and administrative expenses increased by $1,320,000 as a result of an amortization of the covenant not to compete, higher costs for stock compensation for stock options and restricted stock units issued during the current period and an increase in professional fees. Research and development expenses increased by $542,000 due to the Company's utilization of a specialized consulting firm for certain projects at the beginning of the second quarter of the current year.

Other income and expense of $141,000 for the nine months ended September 30, 2015 consisted primarily of the gain on the sale of the wireless assets on August 31, 2015. Other income and expense was insignificant for the nine months ended September 30, 2014.

As further explained in Note 7, the Company has a net operating loss carryforward for losses generated in prior years of $42.9 million and, therefore, no provision for income tax has been made for the nine months ended September 30, 2015.

As a result of the factors noted above, the Company generated a net loss of $3,784,400 for the nine months ended September 30, 2015 as compared to a net loss of $1,683,000 for the nine months ended September 30, 2014.

Intangible Assets

The Company's intangible assets consist of trade names, patents and customer relationships and as a result of a qualitative analysis the Company does not believe there is any indication of impairment.

Liquidity and Capital Resources (All figures have been rounded to the nearest $1,000)

As of September 30, 2015, the Company had cash and cash equivalents of $6,666,000, working capital (defined as current assets minus current liabilities) of $6,825,000, total assets of $19,903,000 and stockholders' equity of $17,684,000.

During the nine months ended September 30, 2015, the Company used net cash of $3,745,000 in operating activities compared to net cash used of $2,309,000 in the nine months ended September 30, 2014. Cash used by investing activities was $157,000 for the nine months ended September 30, 2015 compared to $96,000 for the nine months ended September 30, 2014. Cash provided by financing activities was $7,601,000 for the nine months ended September 30, 2015 compared to $5,247,000 for the nine months ended September 30, 2014.

As of September 30, 2015, the Company had no accrued expenses related to board fees for the third quarter of 2015. On September 30, 2014, the CEO and a Senior Vice President (collectively, the "Executives"), who were also board members, retired from the Company and simultaneously resigned from the board of directors. See Note 12, Related Party Transactions for further discussion.

The Company entered into a revolving credit facility with Silicon Valley Bank. The maximum borrowing under the facility is $2,000,000. Borrowings under the facility are subject to certain limitations based on a percentage of accounts receivable, as defined in the agreement, and are secured by all of the Company's assets. The facility bears interest at a rate of U.S. prime (3.25% at September 30, 2015) plus 1.25% - 1.75%, depending on the Company's cash plus availability. Interest is payable monthly and the principal is due upon maturity on October 15, 2015. As of September 30, 2015, there were no amounts outstanding, and unused availability under the facility was approximately $1,172,000.

The Company renewed and amended this facility on October 5, 2015. The amended maximum borrowing under the facility is $2,000,000 less a sublimit of $262,500 in pledged banking services and as defined in the agreement, and the borrowings are secured by certain collateralized accounts. The facility bears interest at a rate of U.S. prime (3.25% at November 10, 2015). Interest is payable monthly and the principal is due upon maturity on October 5, 2017. At November 10, 2015, there were no amounts outstanding under this facility.

On January 14, 2015, the Company announced the closing of an underwritten public offering of 4,857,143 shares of its common stock, offered to the public at $1.75 per share. Net proceeds to the Company from this offering were approximately $7,845,000 after deducting underwriting discounts and commissions paid by the Company. Direct offering costs totaling approximately $214,000 were recorded as a reduction to the net proceeds on the consolidated statement of stockholders' equity.

We currently anticipate that our available cash, as well as expected cash from operations and availability under the current credit facility with Silicon Valley Bank, which has a maturity date of October 5, 2017, will be sufficient to meet our anticipated working capital and capital expenditure requirements for at least the next 12 months from the filing date.

We keep the option open 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 technology, enhance our operating infrastructure, respond to competitive pressures, or acquire complementary businesses or necessary technologies. There can be no assurance that the Company will be able to secure the additional funds when needed or obtain such on terms satisfactory to the Company, if at all.

The Company filed a universal shelf registration statement on Form S-3 with the Securities and Exchange Commission ("SEC"), which became effective July 6, 2010. Under the shelf registration statement, the Company may offer and sell, from time to time in the future in one or more public offerings, its common stock, preferred stock, warrants, and units. The aggregate initial offering price of all securities sold by the Company will not exceed $25,000,000, and, pursuant to SEC rules, the Company may only sell up to one-third of the market cap held by non-affiliate stockholders in any 12-month period. The Company renewed this registration with the SEC on July 31, 2013.

The specific terms of any future offering, including the prices and use of proceeds, will be determined at the time of any such offering and will be described in detail in a prospectus supplement which will be filed with the SEC at the time of the offering.

The shelf registration statement is designed to give the Company the flexibility to access additional capital at some point in the future when market conditions are appropriate.

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.

Net Operating Loss Carry Forwards

As of December 31, 2014, the Company had net operating loss carryforwards ("NOL's") for federal and New York state income tax purposes of approximately $42.9 million. There can be no assurance that the Company will realize any benefit of the NOL's. The federal and New York state NOL's are available to offset future taxable income and expire from 2018 to 2030, if not utilized. The Company has not yet completed its review to determine whether or not these NOL's will be limited under Section 382 of the Internal Revenue Code due to the ownership change from the acquisition of Mobilisa, Inc.

Adjusted EBITDA

The Company uses Adjusted EBITDA as a non-GAAP financial performance measurement. Adjusted EBITDA is calculated by adding back to net (loss) income interest, income taxes, impairments of long-lived assets and goodwill, depreciation, amortization and stock-based compensation expense. Adjusted EBITDA is provided to investors to supplement the results of operations reported in accordance with GAAP. Management believes that Adjusted EBITDA provides an additional tool for investors to use in comparing Intellicheck Mobilisa financial results with other companies that also use Adjusted EBITDA in their communications to investors. By excluding non-cash charges such as impairments of long-lived assets and goodwill, amortization, depreciation and stock-based compensation, as well as non-operating charges for interest and income taxes, investors can evaluate the Company's operations and can compare its results on a more consistent basis to the results of other companies. In addition, Adjusted EBITDA is one of the primary measures management uses to monitor and evaluate financial and operating results.

Intellicheck Mobilisa considers Adjusted EBITDA to be an important indicator of the Company's operational strength and performance of its business and a useful measure of the Company's historical operating trends. However, there are significant limitations to the use of Adjusted EBITDA since it excludes interest income and expense, impairments of long lived assets and goodwill, stock based compensation expense, all of which impact the Company's profitability, as well as depreciation and amortization related to the use of long term assets which benefit multiple periods. The Company believes that these limitations are compensated by providing Adjusted EBITDA only with GAAP net loss and clearly identifying the difference between the two measures. Consequently, Adjusted EBITDA should not be considered in isolation or as a substitute for net loss presented in accordance with GAAP. Adjusted EBITDA as defined by the Company may not be comparable with similarly named measures provided by other entities.

A reconciliation of GAAP net loss to Adjusted EBITDA follows:

	(Unaudited)			
	Three Months Ended September 30,		**Nine Months Ended September 30,**	
	2015	**2014**	**2015**	**2014**
Net (loss) income	$(1,267,797)	$327,743	$(3,783,883)	$(1,683,008)
Reconciling items:				
Interest and other – net	(111,661)	(57)	(141,084)	(583)
Depreciation and amortization	227,049	111,177	798,072	454,971
Stock-based compensation costs	418,484	5,685	685,892	10,266
Adjusted EBITDA	$(733,925)	$444,548	$(2,441,003)	$(1,218,354)

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Off-Balance Sheet Arrangements

We have never entered into any off-balance sheet financing arrangements and have never established any special purpose entities. Other than Mobilisa's guarantee on the mortgage of the property it leases from a related party as disclosed in Note 11, we have not guaranteed any debt or commitments of other entities or entered into any options on non-financial assets.

Forward Looking Statements

This document contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, particularly statements anticipating future growth in revenues, loss from operations and cash flow. Words such as "anticipates," "estimates," "expects," "projects," "intends," "plans," "believes" and words and terms of similar substan
in connection with any discussion of future operating or financial performance identify forward-looking statements. These forward-looking statements are based on management's current expectations and beliefs about future events. As with any projection or forecast, they are inherently susceptible to uncertainty and changes in circumstances, and the Company is under no obligation to, and expressly disclaims any obligation to, update or alter its forward-looking statements whether as a result of such changes, new information, subsequent events or otherwise.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Financial instruments, which subject the Company to concentrations of credit risk, consist primarily of cash and cash equivalents. The Company maintains cash in one financial institution. The Company performs periodic evaluations of the relative credit standing of this institution.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our Chief Executive Officer and our Chief Financial Officer evaluated, with the participation of our management, the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. As of September 30, 2015, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures, as defined in Securities Exchange Act Rule 13a-15(e) and 15d-15(e), were effective.

Our disclosure controls and procedures have been formulated to ensure (i) that information that we are required to disclose in reports that we file or submit under the Securities Exchange Act of 1934 were recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms and (ii) that the information required to be disclosed by us is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

Changes in Internal Controls over Financial Reporting

There was no change in our internal controls over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the third quarter of 2015 covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Part II - Other Information

Item 1. LEGAL PROCEEDINGS

None.

Item 1A. Risk Factors

Current economic conditions may cause a decline in business and consumer spending which could adversely affect our business and financial performance.

While a significant portion of our business is with the U.S. government, our operating results may be impacted by the overall health of the North American economy. Our business and financial performance, including collection of our accounts receivable, realization of inventory, recoverability of assets including investments, may be adversely affected by current and future economic conditions, such as a reduction in the availability of credit, financial market volatility, recession, etc.

Our operations and financial results are subject to various other risks and uncertainties that could adversely affect our business, financial condition, results of operations, and trading price of our common stock. Please refer to our annual report on Form 10-K for fiscal year 2014 for information concerning other risks and uncertainties that could negatively impact us.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None

Item 3. DEFAULTS UPON SENIOR SECURITIES

None

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

Item 5. OTHER INFORMATION

None

Item 6. Exhibits

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

Exhibit No.	Description
31.1	Rule 13a-14(a) Certification of Chief Executive Officer
31.2	Rule 13a-14(a) Certification of Chief Financial Officer
32	18 U.S.C. Section 1350 Certifications
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

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: November 10, 2015 Intellicheck Mobilisa, Inc.

By:*/s/ William Roof*
William Roof, PhD, MBA
Chief Executive Officer

By:*/s/ Bill White*
Bill White
Chief Financial Officer
(Principal Financial and Accounting Officer)