



To Our Shareholders

2015 was a critical year for I.D. Systems for many reasons, involving several that directly reflect the state of our company and our prospects for the future. First, the response of our team to the challenges we faced proves that we have an outstanding and dedicated workforce committed to our customers with the utmost professionalism and service excellence. Our team worked tirelessly to address the obstacles we encountered and improve our processes to ensure that our quality, reliability, and scalability are the best in our industry.

Second, the response of our customers to our challenges confirmed that we have a committed base of champions who have confidence in our solutions to improve their businesses, and that our customers trust our team to help them achieve their goals. We are privileged to partner with customers that believe in our capabilities and are focused with us on the future and how we can build more successful relationships together.

I would like to express many thanks to our team, our customers, and our shareholders for your commitment to I.D. Systems throughout 2015. I am confident that our efforts have positioned us to prosper in 2016 and beyond.

In 2015, the I.D. Systems teams in New Jersey, Texas, and Europe worked to achieve our objectives of bringing the world's leading IoT technology to unserved markets, and I am proud of our accomplishments. We made progress on our key initiatives to optimize internal processes, accelerate growth and reduce costs that are reflected in the fourth quarter's financial results. By leveraging our investments in automation technology, we lowered our operating expenses and improved our gross margins, making us a more efficient organization overall.

2015 was highlighted by several operational successes, including achieving record unit sales in our Transportation Asset Management division since we acquired the Asset Intelligence business in 2010, implementing a new go-to-market strategy, as well as completing our VAC4 product - which we believe is the most powerful and cost effective vehicle management solution in the industry. Customer response and take rates for VAC4 have been strong, with virtually no returns or service calls from customers. In fact, we experienced no meaningful customer attrition throughout the upgrade process.

Another key success was the launch of our new analytics platforms, PowerFleet IQ and VeriWise IQ. These next-generation supply chain business intelligence tools build on our track record of industry firsts and innovations, which continue to improve the critical intelligence and insight we provide to customers on their supply chain assets.

We continued to gain traction with the go-to-market strategy we implemented in Q3, which has resulted in key wins with existing and new customers. We also acquired several new major accounts in 2015, demonstrating the effectiveness of our focus on the largest enterprise customers, while

transferring smaller sales and support services to our channel partners. This approach allows us to more efficiently and profitably sell and service our enterprise-level customers.

Our company entered 2016 with a considerably expanded and enhanced product portfolio, order pipeline, and sales channel network—ingredients to our short and long-term success. Beyond our I.D. Systems 2.0 strategy, our growth should accelerate due to significant improvements in our market environments that directly impact our business, including an enhanced focus on IoT solutions with C-level executives in enterprises worldwide as well as cellular costs being at all-time lows.

Looking ahead, our optimized cost structure and stable cash position, as well as our premier customer base, position us well for the future. Our success in 2016 will be measured by our ability to further penetrate our existing customer base and secure new enterprise customers. It will also be measured by our ability to leverage our optimized cost structure and maintain our focus on quality. In turn, this will help us achieve our financial goals for 2016, which includes driving revenue growth and achieving non-GAAP breakeven for the full year.

In summary, we believe our operational progress in 2015 and early 2016 has positioned us with the right products, structure, and partners to profitably serve the growing industrial Internet of Things market. We are looking forward to capitalizing on the opportunities before us in 2016 and the years ahead.

Sincerely,

A handwritten signature in black ink, appearing to read 'Ken Ehrman', written in a cursive style.

Kenneth S. Ehrman
Founder, Chairman and CEO

I.D. Systems, Inc.
123 Tice Boulevard
Woodcliff Lake, New Jersey 07677

NOTICE OF 2016 ANNUAL MEETING OF STOCKHOLDERS

To Be Held On June 14, 2016

To the Stockholders of I.D. Systems, Inc.:

Notice is hereby given that the 2016 Annual Meeting of Stockholders (the "Annual Meeting") of I.D. Systems, Inc. (the "Company," "we," "our" or "us") will be held at the offices of Olshan Frome Wolosky LLP, located at 1325 Avenue of the Americas, New York, New York 10019, on Tuesday, June 14, 2016, at 10:00 a.m., Eastern Time, and thereafter as it may be postponed or adjourned from time to time, for the following purposes, each of which is described more fully in the Proxy Statement accompanying this Notice of Annual Meeting:

1. To elect five (5) directors, the names of whom are set forth in the accompanying Proxy Statement, each to serve until the Company's 2017 annual meeting of stockholders and until their respective successors are duly elected and qualified;
2. To vote upon the ratification of the appointment of EisnerAmper LLP as the independent registered public accounting firm of the Company for the fiscal year ending December 31, 2016;
3. To hold an advisory (non-binding) vote to approve the Company's executive compensation; and
4. To transact such other business as may properly come before the Annual Meeting, including any motion to adjourn to a later date to permit further solicitation of proxies, if necessary, or before any adjournment thereof.

The meeting will begin promptly at 10:00 a.m., Eastern Time. Only holders of record of shares of our common stock at the close of business on April 18, 2016, the date fixed by our Board of Directors as the record date for the Annual Meeting, will be entitled to notice of, and to vote at, the meeting and any postponements or adjournments of the meeting.

For a period of at least 10 days prior to the Annual Meeting, a complete list of stockholders entitled to vote at the meeting will be available and open to the examination of any stockholder for any purpose relating to the Annual Meeting during normal business hours at our principal executive offices located at 123 Tice Boulevard, Woodcliff Lake, New Jersey 07677.

Whether you expect to attend the Annual Meeting or not, please vote, sign, date and return in the self-addressed envelope provided the enclosed proxy card as promptly as possible. If you attend the Annual Meeting, you may vote your shares in person, even though you have previously signed and returned your proxy.

By order of the Board of Directors,

/s/ Ned Mavrommatis

Ned Mavrommatis
Corporate Secretary

Dated: April 25, 2016
Woodcliff Lake, New Jersey

Important Notice of Internet Availability of Proxy Materials for the 2016 Annual Meeting of Stockholders to be held on June 14, 2016. The Notice, this Proxy Statement, and our Annual Report on Form 10-K for the fiscal year ended December 31, 2015, are available through the Internet at <http://ir.id-systems.com/phoenix.zhtml?c=100495&p=proxy>. Under Securities and Exchange Commission rules, we are providing access to our proxy materials both by sending you this full set of proxy materials, and by notifying you of the availability of our proxy materials on the Internet.

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**I.D. SYSTEMS, INC.
123 TICE BOULEVARD
WOODCLIFF LAKE, NEW JERSEY 07677**

PROXY STATEMENT

**Annual Meeting of Stockholders
June 14, 2016**

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors (the "Board") of I.D. Systems, Inc., a Delaware corporation (the "Company," "we," "our" or "us"), for use at our 2016 Annual Meeting of Stockholders (the "Annual Meeting") to be held at the offices of Olshan Frome Wolosky LLP, located at 1325 Avenue of the Americas, New York, New York 10019, on Tuesday, June 14, 2016, at 10:00 a.m., Eastern Time, and any adjournments or postponements thereof.

The Board is sending the proxy materials relating to the Annual Meeting, which include this Proxy Statement, our Annual Report on Form 10-K for the fiscal year ended December 31, 2015 and proxy card, to its stockholders beginning on or about April 25, 2016. The information included in this Proxy Statement relates to the proposals to be voted on at the Annual Meeting, the voting process, the compensation of our most highly paid executive officers and our directors, and certain other required information.

Important Notice of Internet Availability of Proxy Materials for the 2016 Annual Meeting of Stockholders to be held on June 14, 2016

The Notice, this Proxy Statement, and our Annual Report on Form 10-K for the fiscal year ended December 31, 2015 are available through the Internet at <http://ir.id-systems.com/phoenix.zhtml?c=100495&p=proxy>. Under Securities and Exchange Commission rules, we are providing access to our proxy materials both by sending you this full set of proxy materials, and by notifying you of the availability of our proxy materials on the Internet.

Record Date and Outstanding Shares

The Board has fixed the close of business on April 18, 2016, as the record date (the "Record Date") for the determination of stockholders entitled to notice of, and to vote at, the Annual Meeting and any adjournments or postponements of the meeting. Only stockholders of record at the close of business on the Record Date will be entitled to vote at the Annual Meeting or any and all adjournments or postponements thereof.

As of the Record Date, we had issued and outstanding 13,824,547 shares of common stock. Our common stock comprises all of our issued and outstanding voting stock.

At least ten (10) days before the Annual Meeting, we will make a complete list of the stockholders entitled to vote at the meeting open to the examination of any of our stockholders for any purpose germane to the Annual Meeting. The list will be available for inspection during ordinary business hours at our offices at 123 Tice Boulevard, Woodcliff Lake, New Jersey 07677, and will be made available to stockholders present at the Annual Meeting.

Purposes of the Annual Meeting

The purposes of the Annual Meeting are (i) to elect five (5) directors to our Board, each to serve until our 2017 annual meeting of stockholders and until their respective successors are duly elected and qualified; (ii) to ratify the appointment of EisnerAmper LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2016; (iii) to approve, on an advisory basis, the Company's executive compensation; and (iv) to transact such other business as may properly come before the Annual Meeting or at any adjournment or postponement thereof. In addition to the foregoing, there will be a report on the progress of our company and an opportunity for questions of general interest to the stockholders.

Unless we receive specific instructions to the contrary or unless such proxy is revoked, shares represented by each properly executed proxy will be voted: (i) "FOR" the election of each of our nominees as a director; (ii) "FOR" the ratification of the appointment of EisnerAmper LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2016; (iii) "FOR" the approval, on an advisory basis, of our executive compensation; and (iv) with respect to any other matters that may properly come before the Annual Meeting, at the discretion of the proxy holders. We do not presently anticipate that any other business will be presented for action at the Annual Meeting.

Voting at the Annual Meeting

Quorum Requirements

The presence at the Annual Meeting, in person or by proxy, of the holders of a majority of the total outstanding shares of our common stock is necessary to constitute a quorum for the transaction of business at the meeting. Abstentions and broker “non-votes” (as hereinafter defined) are counted as present and entitled to vote for purposes of determining whether a quorum is present. A broker “non-vote” on a matter occurs when a broker, bank or your representative may not vote on a particular matter because it does not have discretionary voting authority and has not received instructions from the beneficial owner.

Shareholders of Record and Beneficial Owners

Each share of our common stock outstanding on the Record Date will be entitled to one vote on each matter submitted to a vote of our stockholders. Cumulative voting by stockholders is not permitted. The shares to be voted include shares of our common stock that are (i) held of record directly in a stockholder’s name and (ii) held for stockholders in “street name” through a broker, bank or other nominee. If your shares are registered directly in your name with the Company’s stock transfer agent, American Stock Transfer & Trust Company, LLC, you are considered the “shareholder of record” with respect to those shares. If your shares are held in a stock brokerage account or by a bank or other nominee, you are considered the “beneficial owner” of those shares.

If you hold your shares of our common stock through a broker, bank or other representative, generally the broker, bank or representative may only vote the common stock that it holds for you in accordance with your instructions. However, under the rules that govern brokers who have record ownership of shares that are held in street name for their clients who are the beneficial owners of the shares, brokers have the discretion to vote such shares on routine matters. Therefore, if the broker, bank or representative has not timely received your instructions, it may vote on certain matters for which it has discretionary voting authority. The ratification of the appointment of an independent registered public accounting firm is considered a routine matter. Thus, if you do not otherwise instruct your broker, the broker may turn in a proxy card voting your shares “FOR” ratification of the independent registered public accounting firm. The Company believes that all of the other proposals to be voted upon at the meeting will be considered “non-routine.” Thus, a broker or other nominee cannot vote without instructions on these non-routine matters, and, consequently, if your shares are held in street name, you must provide your broker or nominee with instructions on how to vote your shares in order for your shares to be voted on those proposals.

Holders of our common stock will not have any rights of appraisal or similar dissenters’ rights with respect to any matter to be acted upon at the Annual Meeting.

Vote Required

For the election of directors, a plurality of the votes cast is required. Since the number of candidates is equal to the number of vacancies, receipt of any votes in favor of any candidate will ensure that that candidate is elected. If no voting direction is indicated on a proxy card that is signed and returned, the shares will be considered votes FOR the election of all director nominees set forth in this Proxy Statement. In accordance with Delaware law, stockholders entitled to vote for the election of directors may withhold authority to vote for all nominees for directors or may withhold authority to vote for certain nominees for directors. Abstentions and broker non-votes are not considered for the purpose of the election of directors.

The ratification of the selection of EisnerAmper LLP as the Company’s independent registered public accounting firm and the advisory (non-binding) proposal to approve the Company’s executive compensation each requires the affirmative vote of a majority of the votes cast. Abstentions and broker non-votes will have no effect on the outcome on these matters.

Your vote will not be disclosed either within the Company or to third parties, except: (i) as may be necessary to meet applicable legal requirements or to assert or defend claims for or against the Company; (ii) to allow for the tabulation of votes and certification of the vote; and (iii) to facilitate a successful proxy solicitation.

Effect of Advisory Votes

The approval, on an advisory basis, of our executive compensation, also known as a “say on pay” vote, is an advisory vote mandated by the Dodd-Frank Wall Street Reform and Consumer Protection Act. This means that while we ask stockholders to approve our executive compensation, it is not an action that requires stockholder approval, and stockholders are not voting to approve or disapprove the Board’s recommendation with respect to this proposal. This advisory vote is non-binding on the Board, although the Board welcomes the input of our stockholders on the Company’s compensation policies and compensation program and will take the advisory vote into account in making determinations concerning executive compensation.

At our 2011 annual meeting of stockholders held on June 21, 2011, we conducted a stockholder advisory vote on the frequency of future stockholder votes on the Company's executive compensation (every one, two or three years), also known as a "say on frequency" vote. The Board considered the results of this "say on frequency" advisory vote and, since the most affirmative votes of all the votes cast on the "say on frequency" matter expressed a preference for having the "say on pay" vote every year, determined that an advisory vote on executive compensation would be conducted on an annual basis until the next vote on the frequency of such votes. Notwithstanding the outcome of stockholder "say on frequency" votes, however, the Board may in the future decide to conduct advisory votes on a less frequent basis if appropriate and may vary its practice based on factors such as discussions with stockholders and the adoption of material changes to compensation programs.

Voting of Proxies

Shareholders of Record

As a shareholder of record, these proxy materials will be furnished directly to you by the Company, by mail. As the stockholder of record, you have the right to grant your voting proxy directly to the Company or to vote in person at the meeting.

Beneficial Owners

As a beneficial owner, you have the right to direct your broker, trustee or nominee as to how to vote your shares. Please refer to the voting instruction card provided by your broker, trustee or nominee. You are also invited to attend the Annual Meeting. However, because a beneficial owner is not the stockholder of record, you may not vote these shares in person at the meeting unless you obtain a "legal proxy" from the broker, trustee or nominee that holds your shares, giving you the right to vote the shares at the meeting. Note that it may take some time to obtain a legal proxy from your broker, trustee or nominee, so, if you plan to request a legal proxy, you should do so well in advance of the meeting.

Voting Without Attending the Meeting

Whether you hold shares directly as the shareholder of record or through a broker, trustee or other nominee as the beneficial owner, you may direct how your shares are voted without attending the Annual Meeting. There are two ways to vote by proxy without attending the meeting:

- **By Internet** — Stockholders of record may submit proxies over the Internet by following the instructions on the proxy card or voting instruction card.
- **By Mail** — Stockholders of record may submit proxies by completing, signing and dating their proxy card or voting instruction card and mailing it in the accompanying pre-addressed envelope.

Revocation of Proxies

Stockholders can revoke a proxy prior to the completion of voting at the Annual Meeting through any of the following methods:

- by writing a letter delivered to Ned Mavrommatis, our Corporate Secretary, stating that the proxy is revoked;
- by submitting another proxy bearing a later date; or
- by attending the Annual Meeting and voting in person (unless you are a beneficial owner without a legal proxy, as described below).

Please note, however, that if a stockholder's shares are held of record by a broker, bank or other nominee and that stockholder wishes to vote at the Annual Meeting, the stockholder must bring to the Annual Meeting a letter or "legal proxy" from the broker, bank or other nominee confirming the stockholder's beneficial ownership of the shares.

Solicitation

The cost of preparing, assembling, printing and mailing the proxy material and of reimbursing brokers, nominees and fiduciaries for the out-of-pocket and clerical expenses of transmitting copies of the proxy material to the beneficial owners of shares held of record by such persons will be borne by the Company. Certain officers and employees of the Company, without additional compensation, may use their personal efforts, by telephone or otherwise, to obtain proxies.

PROPOSAL NO. 1

ELECTION OF DIRECTORS

The Board has nominated Kenneth Brakebill, Michael Brodsky, Kenneth S. Ehrman, Ron Konezny and Tony Troussel for re-election as directors of the Company. If re-elected to the Board, each nominee will hold office until our Annual Meeting of Stockholders to be held in 2017 and until his respective successor has been duly elected and qualified, or until his earlier death, resignation or removal. Each of Messrs. Brakebill, Brodsky, Ehrman, Konezny and Troussel has consented to being named as a nominee and, if re-elected, to serve as a director. The Nominating Committee and the Board believe that each of these nominees possesses the attributes we seek in directors generally as well as the individual experiences, qualifications and skills included in their individual biographies below.

If any nominee is unable to serve, which the Board has no reason to expect, the persons named in the proxy intend to vote for the balance of those nominees named above and, if they deem it advisable, for a substitute nominee.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE “FOR” THE ELECTION OF ALL OF THE DIRECTOR NOMINEES LISTED ABOVE.

Information About Our Directors, Director Nominees and Executive Officers

The table below sets forth the names and ages of the directors, nominees for director and executive officers of the Company as of April 18, 2016, as well as the position(s) and office(s) with the Company held by those individuals. A summary of the background and experience of each of those individuals is set forth after the table.

<u>Name</u>	<u>Age</u>	<u>Position(s)</u>
DIRECTORS AND DIRECTOR NOMINEES:		
Kenneth S. Ehrman	46	Chairman of the Board, Chief Executive Officer, President and Director
Kenneth Brakebill	46	Director
Michael Brodsky	48	Director
Ron Konezny	48	Director
Tony Troussel	47	Director
EXECUTIVE OFFICERS WHO ARE NOT DIRECTORS:		
Michael L. Ehrman	43	Chief Technology Officer
Norman L. Ellis	59	Chief Operating Officer
Ned Mavrommatis	45	Chief Financial Officer, Treasurer and Corporate Secretary

Directors and Director Nominees

Kenneth S. Ehrman. Mr. Ehrman is one of our founders and has served as our President since our inception in 1993 and as our Chairman of the Board and Chief Executive Officer and a director of the Company since June 2014. Mr. Ehrman also previously served as our Interim Chief Executive Officer from March 2014 to June 2014, as our Chief Operating Officer from June 2000 to March 2010 and as a director of the Company from 1993 until 2013. He graduated from Stanford University in 1991 with a Bachelor of Science in Industrial Engineering. Upon his graduation, and until our inception, Mr. Ehrman worked as a production manager with Echelon Corporation. Mr. Ehrman is the brother of Michael L. Ehrman, our Chief Technology Officer.

Mr. Ehrman has a strong technical and engineering background. Mr. Ehrman’s qualifications to serve on the Board include his management experience, his engineering expertise and a long history and familiarity with the Company. In addition, Mr. Ehrman’s role as the President and Chief Executive Officer of the Company and former roles as Interim Chief Executive Officer and Chief Operating Officer of the Company provides the Board with invaluable insight into the management and daily operations of the Company. Mr. Ehrman also is an inventor on several of the Company’s patents.

Kenneth Brakebill. Mr. Brakebill has served as a director of the Company since June 2014. Mr. Brakebill is a retired intellectual property and trial lawyer. Following a one-year appellate clerkship out of law school, in 1998 Mr. Brakebill joined Morrison & Foerster, a global law firm of which he became a partner in 2005. At Morrison & Foerster, Mr. Brakebill primarily represented technology companies, both in the hardware and software sectors, in bet-the-company type intellectual property cases involving disputes over patents, copyrights and contracts concerning use of technology. He retired from the firm in 2010. Mr. Brakebill also has served as a director of several not-for-profit organizations. Mr. Brakebill received a Bachelor of Arts degree with Honors from Stanford University in 1991 and attended Harvard Law School and the University of California, Hastings, from which he received his law degree in 1997.

Mr. Brakebill has extensive experience representing technology companies in litigation concerning intellectual property rights and rightful use of technology, and accordingly, has insights in the area of intellectual property rights in technology. Mr. Brakebill participated on successful trial teams that represented Novell, Inc., then a publicly held software company, in a widely-followed case concerning ownership of the copyrights in the UNIX operating system; and Altera Corporation, a publicly traded global semiconductor company, in cases concerning the designs of Altera's reprogrammable logic device technology and its software tools. Through these representations, Mr. Brakebill gained significant experience working with senior executives of companies on issues relating to litigation-impacted product lines and strategic direction. We believe that Mr. Brakebill's legal and technology background and experience as a director of not-for-profit companies, give him the qualifications and skills to enable him to serve as an effective contributing member of the Board.

Michael Brodsky. Mr. Brodsky has served as a director of the Company since June 2014. Mr. Brodsky is the Managing Partner of Vajra Asset Management, LLC, an investment firm, since January 2013. Mr. Brodsky is also presently Executive Chairman of Determine, Inc. (formerly known as Selectica, Inc.), a publicly traded leader in contract management, procurement and sourcing software, where he has been on the Board of Directors since October of 2010 and served as Chief Executive Officer from August 2013 until December 2013. He is also Chairman of the Board of Trans World Corporation, a publicly traded company that owns and operates casinos and hotels in the Czech Republic and Germany, since September 2013. Mr. Brodsky is also a member of the board of Spark Networks, Inc. since November 2015. He is also a member of the board of Genesis Land Development Corporation, a residential land developer and home-builder in Calgary, Canada since June 2012. He was also a member of the board of directors of JPS Industries, Inc., a publicly traded manufacturer of urethane film, sheet and tubing, and other highly engineered components from February 2015 until July 2015. From April 2008 to June 2010, he was also a member of the Board of Directors as well as the President, CEO and Executive Chairman of Youbet.com, Inc., a formerly publicly traded provider of an online horse racing and betting site, which was acquired by Churchill Downs Incorporated, a publicly traded company. Following the acquisition of Youbet.com, he served on the Board of Directors of Churchill Downs until June 2012. From June 2005 to August 2011, Mr. Brodsky was the managing partner of New World Opportunity Partners, LLC, an investment firm. Mr. Brodsky received a Bachelor of Arts degree from Syracuse University, a law degree from Northwestern University School of Law and a Masters in Business Administration from the J.L. Kellogg Graduate School of Management School of Business at Northwestern University.

Mr. Brodsky possesses extensive business, operating and executive expertise. Among other things, Mr. Brodsky has served as the Chief Executive Officer of several companies, and possesses skills in executive management and leadership. We believe Mr. Brodsky's management and leadership skills and experience as a member of the board of directors of various companies enable him to be an effective contributing member of the Board.

Ron Konezny. Mr. Konezny has served as a director of the Company since June 2014. Mr. Konezny has served as the President and Chief Executive Officer and a director of Digi International Inc., a publicly held provider of machine-to-machine ("M2M") networking hardware and solutions, since December 2014. Mr. Konezny served as Vice President, Global Transportation and Logistics of Trimble Navigation Limited, a publicly held provider of technology solutions for field and mobile worker productivity ("Trimble"), from September 2013 until December 2014, and as Chief Executive Officer of PeopleNet Communications Corporation ("PeopleNet"), an onboard computing and carrier fleet communications provider, from 2007 until December 2014. Mr. Konezny served as General Manager of Trimble's Global Transportation and Logistics division from August 2011, when Trimble acquired PeopleNet, to September 2013. Mr. Konezny served in several positions with PeopleNet since he co-founded it in 1994, including Chief Operating Officer and Chief Financial Officer from 2001 to 2007 and Chief Technology Officer from 1996 to 2007. Mr. Konezny has previously served on the boards of directors of the National Private Truck Council Institute and the Truckload Carriers Association. Mr. Konezny received a Bachelor of Arts degree from Northwestern University.

Mr. Konezny possesses extensive business, operating and executive expertise. Through his executive positions with PeopleNet, Mr. Konezny has acquired skills in executive management and leadership. Specifically, in his positions as Chief Executive Officer, Chief Operating Officer and Chief Financial Officer of PeopleNet, Mr. Konezny led PeopleNet's growth, profitability, and solution innovation. He also led PeopleNet's technology team and platform vision, which resulted in the first internet-based solution in the market, patented OTAP (over-the-air-programming), email messaging, handheld integration, Vehicle Management engine data interface, eDriver Logs, Automated Fuel Tax, and Automated Workflow. We believe Mr. Konezny's management and leadership skills and technological background enable him to be an effective contributing member of the Board.

Tony Trouset. Mr. Trouset has served as a director of the Company since June 2014. Mr. Trouset has served as the Managing Member of Atlas Technology Group LLC, a privately held company which provides independent mergers and acquisitions and corporate finance advice to technology companies and technology-focused private equity firms (“Atlas Technology”), since he founded Atlas Technology in November 2009. From 2005 until 2008, Mr. Trouset served as Global Head of Software Investment Banking and Co-Head of the West Coast Technology Investment Banking Group at Lehman Brothers Holdings, Inc., a then global financial services firm. From 2001 until 2005, Mr. Trouset served as Global Head of Software Investment Banking at UBS AG, a global financial services firm. During 2005, Mr. Trouset served as Vice President and Head of Corporate Development at SAS Institute, Inc., a privately held provider of business analytics software and services. Mr. Trouset has served as a member of the Board of Directors of the San Francisco Symphony since 2008. Mr. Trouset received a Bachelor of Arts degree from Stanford University in Political Science and Master of Arts degree from Stanford University in Education.

Mr. Trouset has worked in the technology industry for over 18 years as an investment banker, venture capitalist and corporate executive. He has significant experience with mergers and acquisitions in the technology sector. We believe that Trouset’s background and business acumen, give him the qualifications and skills to enable him to serve as an effective contributing member of the Board.

Executive Officers

Kenneth S. Ehrman. See narrative description under the caption “Directors and Director Nominees” above.

Michael L. Ehrman. Mr. Ehrman serves as our Chief Technology Officer, a position he has held since March 2010. Mr. Ehrman previously served as our Executive Vice President of Engineering from August 1999 until March 2010. Prior to that, he served as our Executive Vice President of Software Development since joining us in 1995. Mr. Ehrman graduated from Stanford University in 1994 with a Master of Science in Engineering - Economics Systems as well as a Bachelor of Science in Computer Systems Engineering. Upon his graduation in 1994, Mr. Ehrman was employed as a consultant for Andersen Consulting in New York. Mr. Ehrman is the brother of Kenneth S. Ehrman, our Chairman of the Board, Chief Executive Officer and President and a member of our Board.

Norman L. Ellis. Mr. Ellis has served as our Chief Operating Officer since joining us in July 2014. Prior to joining us, from November 2013 until June 2014, Mr. Ellis served as Vice President Sales, Services and Marketing for Omnitrac, Inc. (“Omnitracs”), a provider of integrated wireless systems, applications and services for transportation and logistics companies and a division of Qualcomm Incorporated, a publicly-traded company engaged in the development and commercialization of wireless technologies (“Qualcomm”). From 2008 until November 2013, Mr. Ellis served as Vice President Sales, Services and Marketing for Qualcomm. Mr. Ellis has held several other positions with Qualcomm, including Vice President and General Manager from 2004 to 2008, Vice President-Homeland Security Solutions from 2002 to 2003, Vice President-New Markets from 2000 to 2001 and Director Product Development from 1998 to 1999. He also served as Senior Vice President of Sales and Marketing for Service Transport Inc., a commercial motor carrier of bulk liquids, from 1993 to 1998. Mr. Ellis also has held various positions with Overnite Transportation Inc. (currently known as UPS Ground Freight, Inc.), a provider of transportation services, and with Mason and Dixon Lines, a provider of trucking and logistic solutions. Mr. Ellis received a Bachelor of Arts degree in Business Administration from Emory and Henry College.

Ned Mavrommatis. Mr. Mavrommatis has served as our Chief Financial Officer since joining us in August 1999, as our Treasurer since June 2001, and as our Corporate Secretary since November 2003. Prior to joining us, Mr. Mavrommatis was a Senior Manager at the accounting firm of Eisner LLP (currently known as EisnerAmper LLP). Mr. Mavrommatis received a Master of Business Administration in finance from New York University’s Leonard Stern School of Business and a Bachelor of Business Administration in accounting from Bernard M. Baruch College, The City University of New York. Mr. Mavrommatis is also a Certified Public Accountant.

Bankruptcies

Other than as set forth below, during the past ten years, a petition under the Federal bankruptcy laws or any state insolvency law has not been filed by or against, or a receiver, fiscal agent or similar officer has not been appointed by a court for the business or property of any of our directors, executive officers or nominees for election as director at the Annual Meeting, or any partnership in which he was a general partner at or within two years before the time of such filing, or any corporation or business association of which he was an executive officer at or within two years before the time of such filing. Mr. Brodsky served as the Co-Chief Executive Officer of Federated Sports & Gaming Inc. (“Federated”) from October 2010 until his resignation from Federated, effective March 1, 2012. On February 28, 2012, Federated Sports filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the District of Maryland. Mr. Brodsky served as the Co-Chief Executive Officer of Federated Heartland, Inc. (“Federated Heartland”) from October 2010 until his resignation from Federated Heartland, effective March 1, 2012. On February 28, 2012, Federated Heartland filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the District of Maryland.

CORPORATE GOVERNANCE AND BOARD MATTERS

General

Our Board is responsible for the management and direction of our Company and for establishing broad corporate policies. Members of the Board are kept informed of our business through various documents and reports provided by the Chief Executive Officer and other corporate officers, and by participating in Board and committee meetings. Each director has access to all of our books, records and reports, and members of management are available at all times to answer their questions.

Currently, there are five members of the Board. The Board is not classified or staggered, and all directors hold office until the next annual meeting of stockholders or until their respective successors are elected and qualified.

Director Independence

Our Board has determined that each of Messrs. Brakebill, Brodsky, Konezny and Troussel satisfies the current “independent director” standards established by the Nasdaq Rules and, as to the members of the Audit Committee of our Board, the additional independence requirements under applicable rules and regulations of the SEC. Thus, a majority of the Board is comprised of independent directors as required by the Nasdaq rules. The Audit Committee of the Board is composed of Messrs. Brodsky, Konezny and Troussel, each of whom is an independent director in accordance with Nasdaq Rule 5605(c). The Compensation Committee of the Board is composed of Messrs. Brakebill, Konezny and Troussel, each of whom is an independent director in accordance with Nasdaq Rule 5605(d). The Nominating Committee of the Board is composed of Messrs. Brakebill, Brodsky and Troussel, each of whom is independent in accordance with Nasdaq Rule 5605(e).

Board Leadership Structure

Our current leadership structure is comprised of a combined Chairman of the Board and Chief Executive Officer, an independent lead director and active independent directors. Currently, Kenneth S. Ehrman serves as our Chairman of the Board and Chief Executive Officer and Michael Brodsky serves as the independent lead director. The Board believes that this leadership structure is the most effective for the Company at this time. Because the Chief Executive Officer is closest to the many facets of our business, the Board believes that the Chief Executive Officer is in the best position to lead most effectively and to serve in the critical role of Chairman of the Board. In addition, as he is directly involved in managing the Company, having a Chairman who also serves as Chief Executive Officer facilitates timely communication with the Board on critical business matters. Further, we believe that this combined leadership structure is appropriate for our Company because our Chairman and Chief Executive Officer (i) conveys a singular, cohesive message to our stockholders, employees, industry partners and the investment community and (ii) eliminates any ambiguity as to who is accountable for the Company’s performance. The lead director, among other things, works with the Chairman to set and approve agendas and schedules for Board meetings, serves as a liaison between the Chairman and the non-employee directors, and presides at any meetings of the Board at which the Chairman is not present, including executive sessions of the independent directors. Our directors and management team engage frequently and directly in the flow of information and ideas and we believe our combined leadership structure facilitates the quality, quantity and timeliness of the information flow and communication. While the Board currently believes that there is a well-functioning and effective balance between strong Company leadership, an independent lead director and oversight by active, independent directors, it continues to evaluate the composition of the Board to determine what leadership structure is most appropriate for our company and our stockholders.

Risk Oversight

The Board has the ultimate oversight responsibility for the risk management process and regularly reviews issues that present particular risk to us, including those involving competition, customer demands, economic conditions, planning, strategy, finance, sales and marketing, products, information technology, facilities and operations, supply chain, legal and environmental matters and insurance. The Board further relies on the Audit Committee for oversight of certain areas of risk management. In particular, the Audit Committee focuses on financial and enterprise risk exposures, including internal controls, and discusses with management and the Company’s independent registered public accounting firm our policies with respect to risk assessment and risk management, including risks related to fraud, liquidity, credit operations and regulatory compliance, and advises the internal audit function as to overall risk assessment of the Company.

While the Board oversees risk management, Company management is charged with managing risk. Management communicates routinely with the Board, committees of the Board and individual directors on significant risks that have been identified and how they are being managed. Directors are free to, and indeed frequently do, communicate directly with senior management.

The Company believes that its leadership structure, discussed above, supports the risk oversight function of the Board. While the Company has a combined Chairman and Chief Executive Officer, independent directors chair the various Board committees involved with risk oversight, there is frequent and open communication among management and directors, and all directors are actively involved in the risk oversight function. The Board believes that this approach provides appropriate checks and balances against undue risk-taking.

Board and Committee Meetings

The Board held 12 meetings during our fiscal year ended December 31, 2015. Each director attended over 75% of the aggregate number of meetings of the Board and the meetings held by committees of the Board during 2015. Actions were also taken by the unanimous written consent of the members of the Board on 4 occasions during the fiscal year ended December 31, 2015.

We have adopted a policy of encouraging, but not requiring, members of the Board to attend our annual meetings of stockholders. Messrs. Brodsky and Kenneth Ehrman attended our 2015 annual meeting of stockholders held on June 23, 2015 in person, and Messrs. Brakebill, Konezny and Troussel attended the meeting by telephone.

Committees of the Board

The standing committees of the Board include the Audit Committee, the Compensation Committee and the Nominating Committee.

Audit Committee

The Audit Committee, which is a separately designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is composed of Messrs. Brodsky, Konezny and Troussel, each of whom is independent under Nasdaq Rule 5605(c)(2) and Rule 10A-3 under the Exchange Act.

The Board has determined that it has at least one "audit committee financial expert" serving on the Audit Committee. Mr. Brodsky serves as the audit committee financial expert. Mr. Brodsky also serves as the Chairman of the Audit Committee.

The Audit Committee held 4 meetings during the fiscal year ended December 31, 2015.

The Board has adopted a written charter for the Audit Committee, a copy of which is publicly available on our website at www.id-systems.com. The Audit Committee's charter sets forth the responsibilities, authority and specific duties of the Audit Committee and is reviewed and reassessed annually. The information on our website is not a part of this Proxy Statement. The charter specifies, among other things, the structure and membership requirements of the Audit Committee, as well as the relationship of the Audit Committee to our independent registered public accounting firm and management.

In accordance with its written charter, the Audit Committee assists the Board in monitoring (i) the integrity of our financial reporting process including our internal controls regarding financial reporting, (ii) our compliance with legal and regulatory requirements and (iii) the independence and performance of our internal and external auditors, and serves as an avenue of communication among the independent registered public accounting firm, management and the Board.

The report of the Audit Committee appears on page 24 of this Proxy Statement.

Compensation Committee

The Compensation Committee is composed of Messrs. Brakebill, Konezny and Troussel, each of whom is independent within the meaning of Nasdaq Rule 5605(a)(2). Mr. Konezny serves as the Chairman of the Compensation Committee.

The Compensation Committee held 1 meeting during the fiscal year ended December 31, 2015. The Compensation Committee acted by unanimous written consent on 3 occasions during the fiscal year ended December 31, 2015.

The Compensation Committee recommends to the Board for its approval our executive officers' annual compensation and long-term incentives and option and other equity grants, reviews management's performance, development and compensation, and administers our incentive plans. The Board has adopted a written charter for the Compensation Committee, a copy of which is publicly available on our website at www.id-systems.com. The Compensation Committee's charter sets forth the responsibilities, authority and specific duties of the Compensation Committee and is reviewed and reassessed annually. The charter specifies that the Compensation Committee has overall responsibility for evaluating and recommending to the Board for approval our director and officer compensation plans, policies and programs and for producing an annual report on executive compensation for inclusion in our annual report on Form 10-K or annual proxy statement, in accordance with applicable rules and regulations. The charter also specifies that the Compensation Committee may form and delegate authority to subcommittees of the Compensation Committee when appropriate; however, the Compensation Committee may not delegate authority to any other persons. As discussed below under "Compensation Discussion and Analysis," for compensation decisions, the Compensation Committee considers recommendations relating to compensation for executive officers (other than our Chairman and Chief Executive Officer, if any) of our Chairman and Chief Executive Officer and includes him in its discussions with respect to such compensation, and considers compensation information provided by compensation consultants, if any, retained by the Compensation Committee for such purpose.

The Compensation Committee Process. Compensation Committee meetings typically involve a preliminary discussion with our Chairman and Chief Executive Officer prior to the Compensation Committee deliberating without any members of management present. For compensation decisions, including decisions regarding the grant of equity compensation relating to executive officers (other than our Chairman and Chief Executive Officer), the Compensation Committee considers the recommendations of our Chairman and Chief Executive Officer and includes him in its discussions. The Compensation Committee may form and delegate authority to subcommittees of the Compensation Committee when appropriate.

Compensation Consultants. The Company did not engage a compensation consultant for 2015.

The report of the Compensation Committee appears on page 25 of this Proxy Statement.

Nominating Committee

The Nominating Committee is composed of Messrs. Brakebill, Brodsky and Trouset, each of whom is independent within the meaning of Nasdaq Rule 5605(a)(2). Mr. Brakebill serves as the Chairman of the Nominating Committee.

The Nominating Committee held 2 meetings during the fiscal year ended December 31, 2015.

The Board has adopted a written charter for the Nominating Committee, which is publicly available on our website at www.id-systems.com. The Nominating Committee's charter authorizes the committee to develop certain procedures and guidelines addressing certain nominating matters, such as procedures for considering nominations made by stockholders, minimum qualifications for nominees and identification and evaluation of candidates for the Board, and the Nominating Committee has adopted procedures addressing the foregoing.

Procedures for Considering Nominations Made by Stockholders. The Nominating Committee has adopted guidelines regarding procedures for nominations to be submitted by stockholders and other third parties, other than candidates who have previously served on the Board or who are recommended by the Board. These guidelines provide that a nomination must be delivered to our Corporate Secretary at our principal executive offices not later than the close of business on the 90th day nor earlier than the close of business on the 120th day prior to the first anniversary of the preceding year's annual meeting; provided, however, that if the date of the annual meeting is more than 30 days before or more than 60 days after such anniversary date, notice to be timely must be so delivered not earlier than the close of business on the 120th day prior to such annual meeting and not later than the close of business on the later of the 90th day prior to such annual meeting or the close of business on the 10th day following the day on which public announcement of the date of such meeting is first made by the Company. The public announcement of an adjournment or postponement of an annual meeting will not commence a new time period (or extend any time period) for the giving of a notice as described above. The guidelines require a nomination notice to set forth as to each person whom the proponent proposes to nominate for election as a director: (i) all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to Regulation 14A under the Exchange Act (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected), and (ii) information that will enable the Nominating Committee to determine whether the candidate or candidates satisfy the criteria established pursuant to the charter for director candidates. The Nominating Committee's policy is to consider all persons proposed to be nominated for election as a director in accordance with these procedures.

Qualifications. The Nominating Committee has adopted guidelines describing the minimum qualifications for nominees and the qualities or skills that are necessary for directors to possess. Each nominee:

- must satisfy any legal requirements applicable to members of the Board;
- must have business or professional experience that will enable such nominee to provide useful input to the Board in its deliberations;
- must have a reputation, in one or more of the communities serviced by the Company and its affiliates, for honesty and ethical conduct;
- must have a working knowledge of the types of responsibilities expected of members of the board of directors of a public company; and
- must have experience, either as a member of the board of directors of another public or private company or in another capacity, that demonstrates the nominee's capacity to serve in a fiduciary position.

We believe that each member of our Board should possess the qualities of character, judgment, business acumen, diligence, lack of conflicts of interest, familiarity with our business and industry, ability to work collegially and ability to act in the best interests of all stockholders. While we do not have a formal diversity policy, we seek to have directors representing a range of experiences, qualifications, skills and backgrounds.

Identification and Evaluation of Candidates for the Board. Candidates to serve on the Board will be identified from all available sources, including recommendations made by stockholders of the Company. The Nominating Committee has a policy that there will be no differences in the manner in which the Nominating Committee evaluates nominees recommended by stockholders and nominees recommended by the Committee or management, except that no specific process shall be mandated with respect to the nomination of any individuals who have previously served on the Board. The evaluation process for individuals other than existing members of the Board will include:

- a review of the information provided to the Nominating Committee by the proponent;
- a review of reference letters from at least two sources determined to be reputable by the Nominating Committee; and
- a personal interview of the candidate, together with a review of such other information as the Nominating Committee shall determine to be relevant.

Stock Ownership Guidelines. On April 29, 2009, the Board adopted stock ownership guidelines to further align the interests of our non-employee directors with the interests of our stockholders and to promote our commitment to sound corporate governance. Pursuant to these guidelines, each outside director is required to hold shares of our common stock with a value equal to three times the amount paid in cash to such director for services as a director (including for in-person and telephonic meetings of the Board and meetings of committees of the Board) during the fiscal year ended December 31, 2008 or, if all such meetings were not attended by such director during such year, the amount that would have been paid in cash to such director for services as a director had such director attended all such meetings. The ownership guideline value for each outside director initially was calculated with respect to the fiscal year ended December 31, 2008, was re-calculated with respect to the fiscal year ended December 31, 2012 and will be re-calculated with respect to each third fiscal year thereafter. Outside directors are required to achieve the applicable level of ownership within three (3) years of the later of the date the guidelines were adopted and the date the person first became an outside director. Under the stock ownership guidelines, the value of the shares of common stock held by each outside director will be determined on April 1st of each year based on the average for the twenty (20) consecutive trading days preceding and including such date of the reported last sale prices per share on the Nasdaq Global Market or other principal national securities exchange or inter-dealer quotation system on which our common stock is listed or admitted to trading. During the fiscal year ended December 31, 2015, each of our non-employee directors elected to be paid in restricted shares of common stock in lieu of cash in consideration for his services as a director of the Company. As of April 1, 2016, each non-employee director had achieved his applicable level of ownership in accordance with the stock ownership guidelines.

Third Party Recommendations. In connection with the Annual Meeting, the Nominating Committee did not receive any nominations from any stockholder or group of stockholders which owned more than 5% of our common stock for at least one year.

Compensation of Directors

General

All directors are entitled to reimbursement for travel and lodging and other reasonable out-of-pocket expenses incurred by them in connection with their attendance at Board and/or Board committee meetings or other activities on our behalf.

Employee Directors

Directors who are current officers or employees of the Company or any subsidiary of the Company do not receive any additional compensation for their service as members of either the Board or any committees of the Board.

Non-Employee Directors

In March 2012, based on the recommendation of Compensation Resources, Inc. (“CRI”), a compensation consultant engaged by the Compensation Committee in 2011, and other information provided by CRI, including compensation and survey data of a comparison group of companies that CRI considered as our peer group, as discussed above under “Executive Compensation — Compensation Discussion and Analysis — Peer Group,” we adopted a non-employee director compensation program pursuant to which non-employee directors are entitled to receive annual compensation having economic value of approximately \$70,000, which includes a cash retainer of \$20,000, and restricted stock grants with an economic value of approximately \$50,000. In August 2014, the Compensation Committee determined that the cash retainer may instead be paid, at each director’s election, in cash or in restricted shares of our common stock. Each of the non-employee directors elected to be paid his retainer for 2015 in restricted shares of our common stock. With respect to restricted stock awards, the number of shares issuable was calculated based on the average of the reported closing price per share of the stock on the NASDAQ Global Market for the twenty (20) consecutive trading days prior to and the twenty (20) consecutive trading days following and including the date of our earnings release for the fiscal quarter ended June 30, 2015.

In addition, each of the lead director and the chairperson of each of the committees of the Board is entitled to a supplemental retainer, which may be paid, at each director’s election, in cash or in restricted shares of our common stock. Specifically, the lead director receives an additional \$15,000 per year of service; the chairperson of the Audit Committee receives an additional \$15,000 per year of service; the chairperson of the Compensation Committee receives an additional \$10,000 per year of service; and the chairperson of the Nominating Committee receives an additional \$8,000 per year of service. In addition, if during the year, any director attends, in person or by telephone, more than eight meetings of the Board and/or any committee thereof, in the aggregate, such director will be entitled to receive for each additional meeting attended in person or by telephone a payment of \$1,000 or \$500; however, the directors maintain discretion to waive, and have on occasion agreed to waive, those additional meeting fees. Each of the non-employee directors elected to be paid his supplemental retainer for 2015 in restricted shares of our common stock.

Our non-employee directors are entitled to participate in the Company’s 2009 Non-Employee Director Equity Compensation Plan (the “2009 Plan”), which was adopted by the Board in April 2009, and approved by our stockholders in June 2009. In June 2011, our stockholders also approved an amendment to the 2009 Plan, which increased the number of shares available for issuance under the 2009 Plan from 300,000 to 600,000. As of April 18, 2016, a total of 98,908 shares of our common stock remain reserved and available for issuance under the 2009 Plan, as amended. Non-employee directors are eligible to be awarded non-qualified stock options and shares of restricted stock under the 2009 Plan. A recipient of restricted stock under the 2009 Plan is entitled to vote such shares and would be entitled to dividends, if any, paid on such shares, but is not entitled to dispose of such shares until they have vested in accordance with the terms of the applicable award.

Our non-employee directors are also entitled to participate in the Company’s 2015 Equity Compensation Plan (the “2015 Plan”), which was adopted by the Board in May 2015 and approved by our stockholders in June 2015. As of April 18, 2016, a total of 750,385 shares of our common stock remain reserved and available for issuance under the 2015 Plan. Non-employee directors are eligible to be awarded non-qualified stock options, shares of restricted stock, stock appreciation rights and other awards under the 2015 Plan. A recipient of restricted stock under the 2015 Plan is entitled to vote such shares and would be entitled to dividends, if any, paid on such shares, but is not entitled to dispose of such shares until they have vested in accordance with the terms of the applicable award.

During the fiscal year ended December 31, 2015, each of Kenneth Brakebill, Michael Brodsky, Ron Konezny and Tony Troussset was awarded 16,519, 21,179, 16,943 and 14,825 restricted shares of common stock, respectively, in consideration for his services as a director of the Company. All of these awards were made pursuant to the 2015 Plan. Each of the restricted stock awards granted to Messrs. Brakebill, Brodsky, Konezny and Troussset was granted on September 1, 2015 and vest as to 100% of such shares on the first anniversary of the date of grant provided that such non-employee director is then serving as a director of the Company.

Our non-employee directors are not entitled to retirement, benefit or other perquisite programs.

The following table provides certain information with respect to the compensation paid to our non-employee directors during the fiscal year ended December 31, 2015.

Name	Fees Earned or		Option Awards	Total
	Paid in Cash	Stock Awards		
	(\$)⁽¹⁾⁽³⁾⁽⁴⁾	(\$)⁽²⁾⁽³⁾⁽⁴⁾	(\$)	(\$)
Kenneth Brakebill.....	\$ 28,000	\$ 40,254	-	\$ 68,254
Michael Brodsky.....	\$ 50,000	\$ 40,254	-	\$ 90,254
Ron Konezny.....	\$ 30,000	\$ 40,254	-	\$ 70,254
Tony Troussel.....	\$ 20,000	\$ 40,254	-	\$ 60,254

- (1) The amount under this column with respect to each of Kenneth Brakebill, Michael Brodsky, Ron Konezny and Tony Troussel reflects the dollar amount of fees for which such non-employee director elected to be paid in restricted shares of our common stock in lieu of cash, which shares were issued under the 2015 Plan on September 1, 2015. The number of restricted shares issued to each of such non-employee directors in lieu of cash was calculated based on the average of the reported closing price per share of the stock on the NASDAQ Global Market for the twenty (20) consecutive trading days prior to and the twenty (20) consecutive trading days following and including the date of our earnings release for the fiscal quarter ended June 30, 2015. Messrs. Brakebill, Brodsky, Konezny and Troussel were granted 5,932, 10,593, 6,356 and 4,237 restricted shares of our common stock, respectively, in lieu of cash, the aggregate grant date fair value of which, computed in accordance with ASC 718, disregarding any service-based vesting conditions, is \$22,542, \$40,253, \$24,153 and \$16,101, respectively.
- (2) The amounts under this column reflect the aggregate grant date fair value of 10,593 restricted shares of our common stock granted to each of Kenneth Brakebill, Michael Brodsky, Ron Konezny and Tony Troussel, under the 2015 Plan on September 1, 2015, computed in accordance with ASC 718, disregarding any service-based vesting conditions. For a discussion of the assumptions we made in valuing the stock awards, see “Note 2(S) — Summary of Significant Accounting Policies — Stock-based compensation” and “Note 10 — Stock-Based Compensation” in the notes to our consolidated financial statements contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015. The amounts set forth under this column do not include the restricted shares of common stock granted in lieu of cash for fees set forth under the column “Fees Earned or Paid in Cash.”
- (3) Each of the restricted stock awards granted to Kenneth Brakebill, Michael Brodsky, Ron Konezny and Tony Troussel will vest in full on September 1, 2016, provided that such non-employee director is a director of the Company on such date.
- (4) At December 31, 2015, Kenneth Brakebill held 30,766 shares of restricted stock; Michael Brodsky held 39,444 shares of restricted stock; Ron Konezny held 31,555 shares of restricted stock; and Tony Troussel held 27,610 shares of restricted stock.

Process for Sending Communications to the Board of Directors

The Board has established a procedure that enables stockholders to communicate in writing with members of the Board. Any such communication should be addressed and sent to our Corporate Secretary at c/o I.D. Systems, Inc., 123 Tice Boulevard, Woodcliff Lake, New Jersey 07677. Any such communication must state, in a conspicuous manner, that it contains a stockholder communication and that it is intended for distribution to the entire Board or to one or more members of the Board, as applicable. All such stockholder communications will be forwarded to the director or directors to whom the communications are addressed. Under the procedures established by the Board, upon the Corporate Secretary’s receipt of such a communication, our Corporate Secretary will send a copy of such communication to each member of the Board or to the applicable director(s), identifying it as a communication received from a stockholder. Absent unusual circumstances, at the next regularly scheduled meeting of the Board held more than two days after such communication has been distributed, the Board will consider the substance of any such communication.

Code of Ethics

We have a code of ethics (the “Code of Ethics”) that applies to our Chief Executive Officer, Chief Financial Officer and Controller and other persons who perform similar functions. A copy of our Code of Ethics can be found on our website at www.id-systems.com. The Code of Ethics also is available in print, free of charge, to any stockholder who requests a copy by writing to the Company at the following address: I.D. Systems, Inc., 123 Tice Boulevard, Woodcliff Lake, New Jersey 07677, Attention: Corporate Secretary. Our Code of Ethics is intended to be a codification of the business and ethical principles that guide the Company, and to deter wrongdoing, to promote honest and ethical conduct, to avoid conflicts of interest, and to foster full, fair, accurate, timely and understandable disclosures, compliance with applicable governmental laws, rules and regulations, the prompt internal reporting of violations and accountability for adherence to this code. We will post any amendment to the Code of Ethics, as well as any waivers that are required to be disclosed by the rules of the SEC or The NASDAQ Stock Market LLC, on our website.

Certain Relationships and Related Transactions

Our policy prohibits conflicts between the interests of our employees, officers and directors and our company. A conflict of interest exists when an employee, officer, or director’s personal interest interferes or may interfere with the interests of the Company. When it is deemed to be in the best interests of our company and our stockholders, the Audit Committee may grant waivers to employees, officers and directors who have disclosed an actual or potential conflict of interest, which waivers are subject to approval by our Board. This policy is included in our Code of Business Conduct and Ethics for Employees, Officers and Directors.

In accordance with its charter, the Audit Committee is responsible for annually reviewing any transactions or series of similar transactions to which we are or were a party and in which any director, executive officer or beneficial holder of more than 5% of any class of our voting securities, or members of any such person’s immediate family, have had or will have a direct or indirect material interest. Our Audit Committee’s procedures for reviewing related party transactions are not in writing. Except as described below, since January 1, 2015, there has not been, nor is there currently proposed, any transaction or series of similar transactions to which the Company is or was a party in which the amount involved exceeds \$120,000 and in which any director, executive officer or beneficial holder of more than 5% of any class of our voting securities, or members of any such person’s immediate family, have had or will have a direct or indirect material interest. As of April 18, 2016, our common stock is the Company’s only class of voting securities.

Pursuant to the terms of an engagement letter (the “Engagement Letter”), dated January 23, 2015, the Company engaged Atlas Technology Group to provide the Company with financial advisory services. Atlas Technology Group is a privately held company of which one of our directors, Tony Troussset, serves as the Managing Member. Fees payable to Atlas Technology Group under the Engagement Letter were based on the outcome of any project that resulted from the rendering of its services. The Company terminated the Engagement Letter on April 29, 2015, and as of such date, no fees had been paid under the Engagement Letter. Notwithstanding such termination, in the event certain projects are completed prior to April 29, 2016, Atlas Technology Group will be entitled to fees based on the outcome of such projects. Our policies and procedures with respect to the Engagement Letter were followed.

REPORT OF THE AUDIT COMMITTEE

The Report of the Audit Committee does not constitute soliciting material, and shall not be deemed to be filed or incorporated by reference into any other Company filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Proxy Statement and irrespective of any general incorporation language in those filings, except to the extent that the Company specifically incorporates the Report of the Audit Committee by reference therein.

The Audit Committee of the Board of Directors is currently comprised solely of independent directors meeting the requirements of applicable rules of the SEC and of The NASDAQ Stock Market LLC. All members of the Audit Committee were appointed by the Board. The Audit Committee operates pursuant to a written charter adopted by the Board. The Audit Committee reviews and assesses the adequacy of its charter on an annual basis. As more fully described in the charter, the purpose of the Audit Committee is to provide general oversight of the Company's financial reporting, integrity of financial statements, internal controls and internal audit functions.

Management is responsible for the preparation, presentation and integrity of the Company's financial statements, accounting and financial reporting principles, and internal controls and procedures designed to ensure compliance with applicable accounting standards, laws and regulations. The Company's independent registered public accounting firm, EisnerAmper LLP, is responsible for performing an independent audit of the Company's financial statements in accordance with standards of the Public Accounting Oversight Board (United States) ("PCAOB") and expressing an opinion in its report on those financial statements.

The Audit Committee reviewed the Company's audited financial statements for the year ended December 31, 2015, and met with both management and EisnerAmper LLP to discuss those financial statements and EisnerAmper LLP's related opinion.

The Audit Committee has discussed with EisnerAmper LLP the matters required to be discussed by Statement on Auditing Standards No. 16, Communications with Audit Committees.

The Audit Committee has received and reviewed the written disclosures and the letter from EisnerAmper LLP required by applicable requirements of the PCAOB regarding EisnerAmper LLP's communications with the Audit Committee concerning independence, and has discussed with EisnerAmper LLP its independence.

Based on its review and the meetings, discussions and reports described above, and subject to the limitations of its role and responsibilities referred to above and in its charter, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements of the Company for the fiscal year ended December 31, 2015, be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2015 for filing with the SEC.

Members of the Audit Committee:

Michael Brodsky, Chairman
Ron Konezny
Tony Troussset

EXECUTIVE COMPENSATION

Compensation Committee Report

The Compensation Committee has reviewed and discussed with management the following Compensation Discussion and Analysis. Based on such review and discussion, the Compensation Committee has recommended to the Board of Directors that the following Compensation Discussion and Analysis be included in this Proxy Statement.

Members of the Compensation Committee:

Ron Konezny, Chairman
Kenneth Brakebill
Tony Trousslet

Compensation Discussion and Analysis

Introduction

This discussion presents the principles underlying our executive officer compensation program. Our goal in this discussion is to provide the reasons why we award compensation as we do and to place in perspective the data presented in the tables that follow this discussion. The focus is primarily on compensation of our executive officers for the fiscal year ended December 31, 2015, but some historical and forward-looking information is also provided to put such year's compensation information in context. The information presented herein relates to the following individuals who are considered "named executive officers," under applicable rules and regulations of the SEC, each of whom is sometimes referred to in this Proxy Statement as a "Named Executive Officer:" (i) Kenneth S. Ehrman, who served as the Company's Chief Executive Officer during the fiscal year ended December 31, 2015, (ii) Ned Mavrommatis, who served as the Company's Chief Financial Officer during the fiscal year ended December 31, 2015, (iii) Michael L. Ehrman, who served as the Company's Chief Technology Officer during the fiscal year ended December 31, 2015, and (iv) Norman L. Ellis, who served as the Company's Chief Operating Officer during the fiscal year ended December 31, 2015.

Compensation Philosophy and Objectives

We attempt to apply a consistent philosophy to compensation for all employees, including senior management. This philosophy is based on the premises that our success is dependent upon the efforts of each employee and that a cooperative, team-oriented environment is an essential part of our culture. We believe in the importance of rewarding our employees for our successes, which is why we emphasize pay-for-performance incentive compensation. Particular emphasis is placed on broad employee equity participation through the use of stock options and restricted stock awards, as well as on annual cash bonuses linked to achievement of our corporate performance goals. We considered the results of the "say on pay" proposal with respect to executive compensation presented to the stockholders at our 2015 annual meeting held on June 23, 2015, and in light of the support the proposal received, we continue to emphasize pay-for-performance incentive compensation, as explained in detail in this Compensation Discussion and Analysis.

Our compensation programs for our Named Executive Officers are designed to achieve a variety of goals, including:

- attracting and retaining talented and experienced executives;
- motivating and rewarding executives whose knowledge, skills and performance are critical to our success;
- aligning the interests of our executives and stockholders by motivating executives to increase stockholder value in a sustained manner; and
- providing a competitive compensation package which rewards achievement of our goals.

Total compensation paid to our executive officers is influenced significantly by the need to attract and retain management employees with a high level of expertise and to motivate and retain key executives for our long-term success. Some of the components of compensation, such as salary, are generally fixed and do not vary based on our financial and other performance. Some components, such as bonus and in some cases, such as our long-term incentive plans adopted in prior years, stock options and stock award grants, are dependent upon the achievement of certain goals approved by the Compensation Committee; and for such purpose, the Compensation Committee considers goals for executive officers (other than our Chairman and Chief Executive Officer) recommended by our Chairman and Chief Executive Officer, and includes him in its discussions with respect to such goals. Furthermore, the value of certain of these components, such as stock options and restricted stock, is dependent upon our future stock price.

We compensate our executive officers in these different ways in order to achieve different goals. Cash compensation, for example, provides executive officers with a minimum base salary. Incentive bonus compensation is generally linked to the achievement of financial and business goals (as described in greater detail below), and is intended to reward executive officers for our overall performance. Stock options and grants of restricted stock are intended to link our executive officers' longer-term compensation with the performance of our stock and to build executive ownership positions in our stock. This encourages our executive officers to remain with us and to act in ways intended to maximize stockholder value, and serves to penalize them if we and/or our stock fails to perform to expectations.

We view the three components of our executive officer compensation as related but distinct. Although the Compensation Committee does review total compensation, it does not believe that compensation derived from one component of compensation necessarily should negate or reduce compensation from other components. We determine the appropriate level for each compensation component based in part, but not exclusively, on its historical practices with the individual and our view of individual performance and other information we deem relevant. The Compensation Committee has not adopted any formal or informal policies or guidelines for allocating compensation between long-term and currently paid out compensation, between cash and non-cash compensation, or among different forms of compensation. We have not reviewed wealth and retirement accumulation as a result of employment with us, and have only focused on fair compensation for the year in question.

The Compensation Committee monitors the results of the annual advisory "say-on-pay" proposal and incorporates such results as one of many factors considered in connection with the discharge of its responsibilities. At our 2015 annual meeting of stockholders, the stockholders approved, on an advisory basis, the compensation of the Named Executive Officers, and in light of such approval, the Compensation Committee continued with its performance-based compensation philosophy and its balanced approach to the components of its compensation program.

Elements of Executive Officer Compensation

Base Salary. We pay our executive officers a base salary, which we review and determine annually. We believe that a competitive base salary is a necessary element of any compensation program. We believe that attractive base salaries can motivate and reward executives for their overall performance. Base salaries are established in part based on the particular executive's position, responsibility, experience, skills and expected contributions during the coming year and such individual's performance during the prior year. We also have generally sought to align base compensation levels comparable to our competitors and other companies in similar stages of development. We do not view base salaries as primarily serving our objective of paying for performance, but in attracting and retaining the most qualified executives necessary to run the Company's business. During the year ended December 31, 2015, the Company increased the base salary of Kenneth S. Ehrman from \$350,000 to \$360,500, increased the base salary of each of Ned Mavrommatis and Michael L. Ehrman from \$275,000 to \$283,250, and increased the base salary of Norman L. Ellis from \$300,000 to \$304,500. The Company continues to focus on pay-for performance structure, which is discussed below.

Cash Incentive Bonus Programs

The primary objective of our annual cash incentive bonus program is to motivate and reward our employees, including our Named Executive Officers, for meeting our short-term objectives using a pay-for-performance program with objectively determinable performance goals. Each of our Named Executive Officers was eligible to receive a cash incentive bonus under our Executive Incentive Plan ("EIP") for the fiscal year ended December 31, 2015, which is discussed below.

Executive Incentive Plan

The objectives of the EIP, which was adopted by the Board upon recommendation of the Compensation Committee, are to align the interests of all employees with the Company's performance goals. The EIP focuses on rewarding executives for the achievement of financial objectives with competitive financial incentives, and provides a systemic plan for establishing definitive performance goals. On February 4, 2015, upon recommendation by the Compensation Committee, the Board established the parameters under the EIP for 2015. For 2015, the Company's performance goals were based on (i) revenue growth and (ii) "operating profit," which for these purposes is defined as operating income (loss) from operations, excluding depreciation and amortization and stock-based compensation expense. Executives were eligible to be awarded cash bonus compensation based on the Company's annual and quarterly results with respect to revenue growth and operating profit.

The Company accrues funds for the EIP over the course of the applicable plan year. The EIP may be modified or terminated by the Compensation Committee at any time, but incentive awards that have been earned by the participating Named Executive Officers through the date of termination of the EIP will be payable. In addition, target awards and weightings may be modified by the Compensation Committee during the plan year based upon a shift in focus or changing industry standards, or any other factors that the Compensation Committee deems appropriate. The Compensation Committee has the authority to administer the EIP and has the final decision on any discrepancies in interpretation of the EIP.

Awards under the EIP are calculated as a percentage of an executive's base salary and, as noted above, are based upon revenue growth and operating profit. In January 2015, the target award under the EIP, which is calculated as a percentage of base salary, for Kenneth S. Ehrman was set at 100% of his base salary and for each of Ned Mavrommatis, Michael L. Ehrman and Norman L. Ellis was set at 67% of his base salary. The target award (expressed as a percentage of base salary) for each Named Executive Officer is as follows:

Named Executive Officer	Target Award Percentage
Kenneth S. Ehrman.....	100%
Ned Mavrommatis	67%
Michael L. Ehrman	67%
Norman L. Ellis	67%

The maximum aggregate amount of the Quarterly Bonuses and the Annual Bonus (each, as defined below), for each executive is 300% of the target award for such executive.

2015 Quarterly Bonuses. Forty-five percent of the executive's bonus under the EIP for 2015 was based on quarterly revenue and operating profit targets (such portion, the "Quarterly Bonus"). For these purposes, "operating profit" is defined as operating income (loss) from operations, excluding depreciation and amortization and stock-based compensation, and was calculated after all bonus expenses (the "Operating Profit"). For 2015, for each of the Named Executive Officers entitled to participate in the EIP, the Company's quarterly revenues (the "Quarterly Revenues") were required to equal or exceed dollar amounts ranging from \$12.1 million to \$13.5 million and the Company's quarterly Operating Profit (the "Quarterly Operating Profit") was required to equal or exceed dollar amounts ranging from \$(1.1) million to \$(0.6) million (each, the "Quarterly Target Amount") in order for the executives to receive their Quarterly Bonus. For each of the first three quarters of the fiscal year, if the Quarterly Revenues were equal to at least 92.5% of the respective Quarterly Target Amount and the Quarterly Operating Profit was equal to at least 110% of the respective Quarterly Target Amount, the executive would be entitled to receive 15% of the target award for such executive. If either the Quarterly Revenues for any quarter did not equal or exceed 92.5% of the respective Quarterly Target Amount for such quarter or the Quarterly Operating Profit for any quarter did not equal or exceed 110% of the respective Quarterly Target Amount for such quarter, the executive would not be entitled to receive any bonus for such quarter. In the event that both the Quarterly Revenues and the Quarterly Operating Profit for any quarter exceeded the Quarterly Target Amount for such quarter, the executives would not be entitled to receive any additional bonus; however, the cumulative Quarterly Revenues and Quarterly Operating Profits for all four quarters would be considered for calculating the Annual Revenues (as defined below) for purposes of determining the Annual Bonus.

Any Quarterly Bonuses for any fiscal quarter are payable to the executives after completion of the Company's financial statements for such quarter. Participants are not entitled to receive an award unless they are employed by the Company at the time the award is payable by the Company. Based on the Quarterly Revenues and the Quarterly Operating Profit for each of the quarters during the fiscal year ended December 31, 2015, none of Kenneth S. Ehrman, Ned Mavrommatis, Norman L. Ellis and Michael L. Ehrman received Quarterly Bonuses under the EIP for 2015.

2015 Annual Bonus. Fifty-five percent of the executive's bonus under the EIP for 2015 was based on annual revenue and operating profit targets (such portion, the "Annual Bonus"). For 2015, for each of the Named Executive Officers entitled to participate in the EIP, the Company's annual revenues (the "Annual Revenues") were required to equal or exceed \$51.9 million and the Company's annual operating profit (the "Annual Operating Profit") was required to equal or exceed \$(3.1) million (each, the "Annual Target Amount") in order for the executives to receive their Annual Bonus. If the Annual Revenues were equal to 92.5% of the Annual Target Amount and the Annual Operating Profit was equal to 110% of the Annual Target Amount, the executive would be entitled to receive 55% of the target award for such executive. If either the Annual Revenues did not equal or exceed 92.5% of the respective Annual Target Amount or the Annual Operating Profit did not equal or exceed 110% of the respective Annual Target Amount, the executive would not be entitled to receive any Annual Bonus.

Any Annual Bonuses are payable to the executives after completion of the Company's audited financial statements for the applicable year. Participants are not entitled to receive an award unless they are employed by the Company at the time the award is payable by the Company. Based on the Annual Revenues and the Annual Operating Profit for the fiscal year ended December 31, 2015, none of Kenneth S. Ehrman, Ned Mavrommatis, Norman L. Ellis and Michael L. Ehrman received an Annual Bonus under the EIP for 2015.

Equity Compensation

We believe that stock options and restricted stock awards are an important long-term incentive for our executive officers and employees and that our stock option and restricted stock award program has been effective in aligning officer and employee interests with those of our stockholders. We review our equity compensation plans annually. Employees are eligible for annual stock option and restricted stock award grants. These options and grants are intended to produce value for each executive officer if (i) our stockholders derive significant sustained value and (ii) the executive officer remains employed with us.

Historically, the Company did not have any program, plan or obligation under which it was required to grant equity compensation to any executive officer on specified dates or upon the achievement of certain performance goals. The authority to make equity grants to executive officers rests with the Compensation Committee, although, as noted, the Compensation Committee does consider the recommendations of our Chairman and Chief Executive Officer in setting the compensation of our other executive officers. For each year beginning with the year ended December 31, 2009 until the year ended December 31, 2013, the Compensation Committee adopted a long-term incentive plan for our Named Executive Officers, pursuant to which our Named Executive Officers were entitled to earn equity grants upon the achievement of certain price targets relating to the Company's common stock. Awards granted to executives under these long-term incentive plans generally were broken out into the three categories, performance shares (or performance cash awards), restricted shares of common stock and stock options. The Compensation Committee has determined not to adopt a long-term incentive plan for the year ended December 31, 2015.

In June 2015, the Compensation Committee granted restricted shares of common stock to each of Kenneth S. Ehrman, Ned Mavrommatis, Michael L. Ehrman and Norman L. Ellis in consideration of his continued services as an officer of the Company. The number of restricted shares of our common stock granted to and held by our Named Executive Officers are set forth in the "Summary Compensation Table" and the "Grants of Plan-Based Awards" table below.

Severance and Change-in-Control Benefits. Except for the severance and change-in-control benefits described below under the captions "Severance Arrangements" and "Potential Payments Upon Termination or Change in Control," we do not provide to any of our executive officers any severance or change in control benefits in the event of termination or retirement, whether following a change in control or otherwise.

Benefits. The executive officers participate in all of our employee benefit plans, such as medical and 401(k) plan, on the same basis as our other employees, except that we pay 100% of the premiums for health and dental insurance of our executive officers and 75% of the premiums for health and dental insurance of our other employees.

Perquisites. Our Chief Executive Officer and certain of our other Named Executive Officers receive an allowance for automobile and related expenses, which amounts are reflected under column titled "All Other Compensation" in the "Summary Compensation Table" below. Our use of perquisites as an element of compensation is very limited. We do not view perquisites as a significant element of our comprehensive compensation structure.

Peer Group

In making decisions regarding the compensation of our executive officers, the Compensation Committee generally considers compensation and survey data for similarly situated executives at a comparison group of companies it considers our peer group. These comparison data are primarily used to gauge the reasonableness and competitiveness of executive compensation decisions. The Compensation Committee utilized as a reference for determining competitive total compensation packages for our Named Executive Officers for 2015, our peer group of companies that were identified by CRI, the compensation consultant retained by the Compensation Committee in 2012, together with a group of companies identified as our peer group by the Hay Group (the "Hay Group"), the compensation consultant retained by the Compensation Committee in 2014; however, the Compensation Committee determined not to place a significant amount of reliance on the information provided by the Hay Group since although the companies identified by the Hay Group as part of the peer group were in the same M2M industry as the Company, such companies had significantly greater revenues and market capitalizations than the Company. While the Compensation Committee refers to information with respect to its peer group for purposes of determining compensation of the executive officers, it does not benchmark compensation for the Named Executive Officers against the peer group. The peer group of companies determined by CRI was based on revenue, organizational profile and geographic location and the peer group of companies determined by the Hay Group was based primarily on industry.

We believe that the compensation practices of our industry, in general, and of our select peer group, in particular, provide useful information to help us establish compensation practices that allow us to attract, retain, and motivate a highly talented executive team. We review the levels of cash, equity, and total compensation for comparable executives in our peer group relative to the elements of compensation paid to our executives. In considering how these data relate to our existing compensation structure, we take into account our size, performance, and geographic location as compared to these peer companies, as well as what we know about the comparable scope of responsibilities of our executives versus those of comparable executives at such peer group companies.

The following companies were identified as members of our peer group by CRI in 2012:

ANADIGICS Inc.	NVE Corporation
CalAmp Corp.	ORBCOMM Inc.
Chyron Corporation	Orbit International Corp.
Identive Group Inc. (formerly SCM Microsystems, Inc.)	Par Technology Corp.
RELM Wireless Corporation	
LoJack Corporation	Telular Corp.
Memsic, Inc.	Vasco Data Sec. Int'l Inc.
Numerex Corp.	XATA Corporation

The following companies were identified as members of our peer group by the Hay Group in 2014:

CalAmp Corp.	Novatel Wireless Inc.
Digi International Inc.	Numerex Corp
Fleetmatics Group PLC	ORBCOMM Inc.
Globalstar, Inc.	Sierra Wireless, Inc.
Iridium Communications Inc.	Telular Corp.
LoJack Corp	XRS Corporation

Regulatory Considerations

We account for the equity compensation expense for our employees under the rules of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 718 (“ASC 718”), which requires us to estimate and record an expense for each award of equity compensation over the service period of the award. Accounting rules also require us to record cash compensation as an expense at the time the obligation is accrued.

Employment Agreements

The Company has not entered into employment agreements with any of its executive officers. All executive officers serve at the discretion of the Board, with no fixed term of employment.

Severance Agreements

On September 22, 2009, the Company entered into severance agreements with each of Kenneth S. Ehrman, the Company’s Chief Executive Officer and President, Ned Mavrommatis, the Company’s Chief Financial Officer, Treasurer and Corporate Secretary, and Michael L. Ehrman, the Company’s Chief Technology Officer. Kenneth S. Ehrman, Ned Mavrommatis and Michael L. Ehrman are sometimes collectively referred to in this section as the “Executives” and each, an “Executive.” The Severance Agreements were previously approved by the Compensation Committee of the Board and presented to the full Board.

Except as described below, each of the Severance Agreements is substantially identical in form. The Severance Agreements provide each Executive with certain severance and change in control benefits upon the occurrence of a “Trigger Event” (as defined in the Severance Agreements). Under the Severance Agreements, a Trigger Event will have occurred if (i) the Company terminates the Executive without Cause or (ii) the Executive resigns for Good Reason within six months following a Change in Control Event (provided, however, that the termination of the Executive’s employment due to his death or Disability will in no event be considered a Trigger Event).

Within 45 days after the occurrence of a Trigger Event (or such shorter period as may be required under the terms of a general release agreement (“Release”) to be entered into by the Executive in order to obtain benefits under the Severance Agreement, a form of which is attached to the Severance Agreement), the Executive must execute and deliver the Release to the Company. Upon the earlier of the expiration of any applicable revocation period required for the Release to be effective with respect to age discrimination claims and the date on which it is otherwise permitted to be effective and irrevocable under applicable law, the Executive will be entitled to the following: (i) a cash payment at the rate of the Executive’s annual base salary as in effect immediately prior to the Trigger Event for a period of 15 months in the case of Kenneth S. Ehrman, and 12 months in the case of the other Executives (such period, as applicable, the “Severance Period”), made as a series of payments that are payable in accordance with the Company’s standard payroll practices; (ii) a waiver of any remaining portion of the Executive’s healthcare continuation payments under COBRA for the Severance Period, provided that the Executive timely elects COBRA coverage and continues to make contributions for such coverage equal to his contribution amount in effect immediately preceding the date of his termination of employment; (iii) partial accelerated vesting of the Executive’s previously granted stock options and restricted stock awards, such that (to the extent not already then vested) a portion of these awards shall vest and/or become exercisable, in each case on a pro-rated basis that takes into account the number of months elapsed since the date of grant as compared to the scheduled vesting date (provided that the terms of the Company’s 2007 Equity Compensation Plan and 2015 Plan will continue to govern acceleration of vesting in the event of a “Change of Control” as defined therein); and (iv) an award of “Performance Shares” under the Restricted Stock Unit Award Agreement previously entered into between the Company and the Executive, in an amount and to the extent of the sum of the “Interim Shares” determined (and defined) in accordance with Exhibit A to that agreement.

As a condition to the Company's obligations under the Severance Agreements, each Executive is required to execute and deliver to the Company a restrictive covenants agreement, a form of which is attached to the Severance Agreements, containing covenants regarding confidentiality, assignment of inventions, non-competition and non-solicitation. These restrictive covenants will remain in effect during the Severance Period.

Compensation Tables

The following table, which should be read in conjunction with the explanations provided above, sets forth summary compensation information for the year ended December 31, 2015 for our Named Executive Officers.

Summary Compensation Table

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$) ⁽¹⁾⁽²⁾	Option Awards (\$) ⁽¹⁾⁽³⁾	Non-equity		Total (\$)
						Incentive Plan Compensation (\$) ⁽⁴⁾	All Other Compensation (\$) ⁽⁵⁾	
Kenneth S. Ehrman,.....	2015	359,625 ⁽⁷⁾	—	418,800	—	—	50,325	828,750
Chairman, President and Chief Executive Officer ⁽⁶⁾	2014	303,529	\$30,000 ⁽⁸⁾	430,250	—	289,818	46,452	1,100,049
	2013	267,000	—	39,919	82,500	—	45,986	435,405
Jeffrey M. Jagid,.....	2015	—	—	—	—	—	—	—
Chairman and Chief Executive Officer ⁽⁶⁾	2014	54,167	—	213,496	201,186	—	538,220	1,007,069
	2013	325,000	—	66,527	137,500	—	42,716	571,743
Ned Mavrommatis.....	2015	282,563 ⁽⁷⁾	—	209,400	—	—	36,811	528,774
Chief Financial Officer, Treasurer and Corporate Secretary	2014	270,521	—	371,950	—	152,568	37,184	832,223
	2013	267,000	—	39,919	82,500	—	33,573	422,992
Norman L. Ellis ⁽⁹⁾	2015	304,125 ⁽⁷⁾	—	209,400	—	—	12,765	526,290
Chief Operating Officer	2014	135,385 ⁽¹¹⁾	—	262,000	159,000	83,561	5,163	645,109
	2013	—	—	—	—	—	—	—
Michael L. Ehrman,.....	2015	282,563 ⁽⁷⁾	—	209,400	—	—	32,775	524,738
Chief Technology Officer	2014	270,521	—	371,950	—	152,568	35,809	830,848
	2013	267,000	—	33,266	68,750	—	34,348	403,364
Brett Kilpatrick,.....	2015	—	—	—	—	—	—	—
Executive Vice President of Worldwide Sales ⁽¹⁰⁾	2014	112,820	—	87,450	—	14,045	—	214,315
	2013	250,000	—	33,266	68,750	—	—	352,016

- (1) The dollar amount shown under the headings "Stock Awards" and "Option Awards" with respect to each of the Named Executive Officers other than Jeffrey M. Jagid for the fiscal years ended December 31, 2015, 2014 and 2013 and with respect to Jeffrey M. Jagid for the fiscal year ended December 31, 2013 reflect the aggregate grant date fair value of restricted stock, performance shares and option awards granted in the fiscal year indicated, computed in accordance with ASC 718, disregarding service-based vesting conditions. For a discussion of the assumptions we made in valuing the stock and option awards, see "Note 2(S) — Summary of Significant Accounting Policies — Stock-based compensation" and "Note 10 — Stock-Based Compensation" in the notes to our consolidated financial statements contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015.
- (2) The dollar amount shown under the heading "Stock Awards" with respect to Jeffrey M. Jagid for the fiscal year ended December 31, 2014 represents the aggregate fair value of 35,642 restricted shares of common stock that were modified on March 28, 2014 to accelerate the full vesting thereof in accordance with the terms of a Separation and General Release Agreement entered into between the Company and Mr. Jagid on March 21, 2014 (the "Jagid Separation Agreement"), computed in accordance with ASC 718.
- (3) The dollar amount shown under the heading "Option Awards" with respect to Jeffrey M. Jagid for the fiscal year ended December 31, 2014 includes (i) \$182,777, which represents the fair value of option awards that were modified on March 28, 2014 to accelerate the full vesting thereof in accordance with the terms of the Jagid Separation Agreement, computed in accordance with ASC 718, and (ii) \$18,409, which represents the fair value of option awards that were modified on March 28, 2014 to extend the exercise period thereof until May 31, 2015 in accordance with the terms of the Jagid Separation Agreement, computed in accordance with ASC 718.
- (4) The dollar amount shown under the heading "Non-Equity Incentive Plan Compensation" (i) for each of Kenneth S. Ehrman, Ned Mavrommatis, Norman L. Ellis and Michael L. Ehrman represents bonus earned for such fiscal year (although \$226,763, \$119,374, \$63,561 and \$119,374 of such amount, respectively, was paid in the following fiscal year) pursuant to the Executive Incentive Plan and (ii) for Brett Kilpatrick represents bonus earned under his cash bonus compensation arrangements for such fiscal year, all of which was paid to him during such fiscal year.

- (5) The dollar amounts shown under the heading “All other compensation” represent the incremental cost of all perquisites and other personal benefits to our Named Executive Officers, for automobile allowance and related expenses and health insurance premiums and with respect to Jeffrey M. Jagid for 2014, the amount accrued under his severance agreement. The automobile allowance and related expenses for 2015 for each of Kenneth S. Ehrman, Ned Mavrommatis, Norman L. Ellis and Michael L. Ehrman were \$37,560, \$24,046, \$0 and \$20,010, respectively; the health insurance premiums for 2015 for each of Kenneth S. Ehrman, Ned Mavrommatis, Norman L. Ellis and Michael L. Ehrman were \$12,765. The automobile allowance and related expenses for 2014 for each of Jeffrey M. Jagid, Kenneth S. Ehrman, Ned Mavrommatis, Norman L. Ellis, Michael L. Ehrman and Brett Kilpatrick were \$9,898, \$34,812, \$25,544, \$0, \$24,169 and \$0, respectively; the health insurance premiums for 2014 for each of Jeffrey M. Jagid, Kenneth S. Ehrman, Ned Mavrommatis, Norman L. Ellis, Michael L. Ehrman and Brett Kilpatrick were \$1,940, \$11,640, \$11,640, \$5,163, \$11,640 and \$0, respectively; and the amount accrued under Jeffrey M. Jagid’s severance agreement for 2014 was \$526,382, representing 18 months of base salary and 18 months of health insurance benefits, \$344,934 of which was paid in 2014. The automobile allowance and related expenses for 2013 for each of Jeffrey M. Jagid, Ned Mavrommatis, Kenneth S. Ehrman and Michael L. Ehrman were \$31,640, \$22,497, \$34,910 and \$23,272, respectively; and the health insurance premiums for 2013 for each of Jeffrey M. Jagid, Ned Mavrommatis, Kenneth S. Ehrman and Michael L. Ehrman were \$11,760.
- (6) Effective as of March 2, 2014, Jeffrey M. Jagid resigned from his position as Chief Executive Officer of the Company and Kenneth S. Ehrman was appointed to serve as the Interim Chief Executive Officer of the Company. Effective as of June 20, 2014, Mr. Ehrman was appointed to serve as Chairman of the Board and Chief Executive Officer of the Company and in connection with such appointment, ceased to serve as Interim Chief Executive Officer of the Company.
- (7) Effective as of February 1, 2015, the base salary of Kenneth S. Ehrman was increased from \$350,000 to \$360,500, the base salary of each of Ned Mavrommatis and Michael S. Ehrman was increased from \$275,000 to \$283,250 and the base salary of Norman L. Ellis was increased from \$300,000 to \$304,500.
- (8) On March 27, 2014, Mr. Ehrman received a non-recoverable upfront bonus payment of \$30,000 in consideration for Mr. Ehrman’s assumption of the position of Interim Chief Executive Officer of the Company on March 2, 2014, which payment represented the aggregate amount of a \$7,500 monthly bonus for the first four months of Mr. Ehrman’s service as Interim Chief Executive Officer.
- (9) Effective as of July 21, 2014, Norman L. Ellis was appointed to serve as the Chief Operating Officer of the Company.
- (10) Brett Kilpatrick served as our Executive Vice President of Worldwide Sales from March 30, 2012 until June 6, 2014, the effective date of Mr. Kilpatrick’s resignation from such position.

Grants of Plan-Based Awards

The following table provides certain information with respect to restricted stock awards and options granted to our Named Executive Officers during the fiscal year ended December 31, 2015.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (\$) ⁽¹⁾			Estimated Future Payouts Under Equity Incentive Plan Awards (#)			All Other Stock Awards: Number of Stock or Units (#) ⁽²⁾	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards (\$) ⁽³⁾
		Threshold	Target	Maximum	Threshold	Target	Maximum				
Kenneth S. Ehrman	2/4/2015	54,075	360,500	1,081,500	—	—	—	—	—	—	—
	6/11/2015	—	—	—	—	—	—	60,000	—	—	418,800
Ned Mavrommatis	2/4/2015	28,467	189,778	569,332	—	—	—	—	—	—	—
	6/11/2015	—	—	—	—	—	—	30,000	—	—	209,400
Norman L. Ellis	2/4/2015	30,602	204,015	612,045	—	—	—	—	—	—	—
	6/11/2015	—	—	—	—	—	—	30,000	—	—	209,400
Michael L. Ehrman	2/4/2015	28,467	189,778	569,332	—	—	—	—	—	—	—
	6/11/2015	—	—	—	—	—	—	30,000	—	—	209,400

- (1) The information under “Estimated Future Payouts Under Non-Equity Incentive Plan Awards” relates to cash bonuses for the fiscal year ended December 31, 2015 payable to our named executive officers based on the achievement of quarterly and annual revenue goals and quarterly and annual “operating profit” (which for these purposes is defined as operating income (loss) from operations, excluding depreciation and amortization and stock based compensation) goals for 2015 pursuant to our Executive Incentive Plan.
- (2) Represents restricted shares issued under the Company’s 2007 Equity Compensation Plan. Twenty five percent (25%) of the restricted shares vest on each of the first, second, third and fourth annual anniversary date of the date of grant provided that the awardee is an employee of our company on such anniversary.
- (3) Calculated based on the closing price of our common stock, as reported on the NASDAQ Global Market on the date of grant of the award.

Stock Option Exercises and Vesting of Restricted Stock Awards

The following table provides certain information with respect to options that were exercised and shares of restricted stock that vested for each of our Named Executive Officers during the fiscal year ended December 31, 2015.

Name	Option Awards		Stock Awards	
	Number of Share Acquired on Exercise (#)	Value Realized in Exercise (\$) ⁽¹⁾	Number of Shares Acquired on Vesting (#)	Value Realized in Vesting (\$) ⁽²⁾
Kenneth S. Ehrman.....	—	—	31,374	\$ 165,840
Ned Mavrommatis	75,131	289,701	26,374	\$ 134,490
Norman L. Ellis	—	—	—	—
Michael L. Ehrman	—	—	25,312	\$ 127,831

- (1) Represents the difference between the market price of the underlying securities at exercise of the option and the exercise price of the option.
- (2) Represents the aggregate dollar value of the shares on the vesting date.

Outstanding Equity Awards at Fiscal Year End

The following table provides certain information concerning outstanding equity awards held by each of our Named Executive Officers at December 31, 2015.

Outstanding Equity Awards at Fiscal Year-End

Name	Option Awards				Stock Awards			
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#) ⁽¹⁾	Market Value of Stock That Have Not Vested (\$) ⁽²⁾	Equity Incentive Plan Awards: Number of Unearned Units or Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market Value of Unearned Units or Rights That Have Not Vested (\$)
Kenneth S. Ehrman	16,000	—	7.41	2/27/2018 ⁽³⁾	6,991	32,159	—	—
	30,488	—	3.54	6/29/2019 ⁽⁴⁾	12,500	57,500	—	—
	44,643	—	2.84	2/5/2020 ⁽⁴⁾	37,500	172,500	—	—
	17,061	—	4.55	3/30/2021 ⁽⁴⁾	60,000	276,000	—	—
	40,541	—	5.93	3/29/2022 ⁽⁴⁾	—	—	—	—
	20,421	20,421	5.71	4/4/2023 ⁽⁵⁾	—	—	—	—
Ned Mavrommatis...	16,000	—	7.41	2/27/2018 ⁽³⁾	6,991	32,159	—	—
	17,061	—	4.55	3/30/2021 ⁽⁴⁾	7,500	34,500	—	—
	40,541	—	5.93	3/29/2022 ⁽⁴⁾	37,500	172,500	—	—
	20,421	20,421	5.71	4/4/2023 ⁽⁵⁾	30,000	138,000	—	—
Michael L. Ehrman	16,000	—	7.41	2/27/2018 ⁽³⁾	5,826	26,800	—	—
	30,488	—	3.54	6/29/2019 ⁽⁴⁾	7,500	34,500	—	—
	44,643	—	2.84	2/5/2020 ⁽⁴⁾	37,500	172,500	—	—
	14,217	—	4.55	3/30/2021 ⁽⁴⁾	30,000	138,000	—	—
	33,784	—	5.93	3/29/2022 ⁽⁴⁾	—	—	—	—
	17,018	17,017	5.71	4/4/2023 ⁽⁵⁾	—	—	—	—
Norman L. Ellis	33,334	66,666	5.24	7/1/2014 ⁽⁶⁾	50,000	230,000	—	—
	—	—	—	—	30,000	138,000	—	—

- (1) Represents shares of our restricted common stock issued under the 2007 Equity Compensation Plan.
- (2) Calculated based on \$4.60 per share, the closing price per share of our common stock, as reported on the NASDAQ Global Market, on December 31, 2015.
- (3) These option awards vest over a five-year period, such that twenty percent (20%) of the award vests each year on the anniversary of the grant date, provided that the holder is employed by the Company on such date.
- (4) One hundred percent (100%) of these option awards vest on the third anniversary of the grant date, provided that the holder is employed by the Company on such date.
- (5) These option awards vest over a four-year period, such that twenty five (25%) of the award vests each year on the anniversary of the grant date, provided that the holder is employed by the Company on such date.
- (6) These option awards vest over a three-year period, such that one third of the award vests each year on the anniversary of the grant date, provided that the holder is employed by the Company on such date.

Potential Payments Upon Termination or Change in Control

Potential Payments Upon Termination or Change in Control under Severance Arrangements

As described above under the caption “Severance Arrangements,” the Company has entered into severance agreements with certain of its Named Executive Officers. These severance agreements provide for severance payments or other compensation upon the termination of the Named Executive Officer’s employment or a change in control with respect to the Company.

Potential Payments Upon Termination or Change in Control under Equity Compensation Plans

Our 1999 Stock Option Plan provides that all outstanding stock options, including stock options held by our executive officers, will become immediately exercisable, and the restrictions with respect to outstanding restricted shares will lapse, upon the occurrence of a “change in control event.” For this purpose, a “change in control event” will be deemed to occur if any of the following events occur: (i) the consummation of any merger of our Company with any other company unless the combined voting power of our voting securities outstanding immediately prior thereto continue to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 70% of the combined voting power of the voting securities of our Company or such surviving entity outstanding immediately after such merger or consolidation; (ii) the consummation of any sale or other disposition of all or substantially all of our assets; (iii) approval by our stockholders of a plan of liquidation of our Company; (iv) any action pursuant to which any person or group (as defined in Sections 3(a)(9) and 13(d) of the Exchange Act) will become the beneficial owner of 20% or more of our outstanding voting securities; or (v) the individuals who were members of our Board on May 14, 1999 (the date on which our 1999 Stock Option Plan was initially adopted by the Board), including any individuals who became or become directors after that date and whose election or nomination for election was approved by at least two-thirds of the directors of our Board, cease to constitute a majority of the members of our Board.

Our 2007 Equity Compensation Plan provides that, in the event of a consolidation or merger in which, after completion of any such transaction, our prior stockholders own less than 50% of the voting shares of the continuing or surviving entity, or in the event of the sale or transfer of substantially all of our assets, all outstanding options will become exercisable and all restrictions and/or forfeitures with respect to restricted stock awards and restricted stock units will lapse.

Estimated Payments Upon Termination or Change in Control

The following table shows potential payments to the Company’s Named Executive Officers under existing severance agreements, plans or arrangements in connection with a termination of employment or change in control with respect to the Company. The following table assumes a December 31, 2015 termination or change in control date, and uses the closing price of the Company’s common stock on the NASDAQ Global Market on December 31, 2015 (\$4.60). The disclosed amounts are estimates only and do not necessarily reflect the actual amounts that would be paid to the Named Executive Officer. These actual amounts would only be known at the time the Named Executive Officers become eligible for payment and would only be payable upon the termination of employment or change in control.

<u>Name</u>	<u>Benefit</u>	<u>Non Change-in-Control Termination (Without Cause or for Good Reason) (\$)</u>	<u>Change-in-Control Termination (Without Cause or for Good Reason) (\$)</u>	<u>Change-in-Control Only (\$)</u>
Kenneth S. Ehrman.....	Severance Pay	\$ 450,625	\$ 450,625	—
	Exercise of Vested Stock Options Upon Termination	— ⁽¹⁾	— ⁽²⁾	— ⁽²⁾
	Realization of Restricted Stock Awards Upon Termination	\$ 161,554	\$ 538,159	\$ 538,159
	Realization of Performance Share Awards Upon Termination	— ⁽³⁾	— ⁽⁴⁾	— ⁽⁴⁾
	Benefit Continuation	\$ 35,308	\$ 35,308	—
Ned Mavrommatis	Severance Pay	\$ 283,250	\$ 283,250	—
	Exercise of Vested Stock Options Upon Termination	— ⁽¹⁾	— ⁽²⁾	\$ — ⁽²⁾
	Realization of Restricted Stock Awards Upon Termination	\$ 127,054	\$ 377,159	\$ 377,159
	Realization of Performance Share Awards Upon Termination	— ⁽³⁾	— ⁽⁴⁾	— ⁽⁴⁾
	Benefit Continuation	\$ 28,247	\$ 28,247	—
Norman L. Ellis	Severance Pay	—	—	—
	Exercise of Vested Stock Options Upon Termination	—	—	—
	Realization of Restricted Stock Awards Upon Termination	—	\$ 368,000	\$ 368,000
	Realization of Performance Share Awards Upon Termination	—	—	—
	Benefit Continuation	—	—	—
Michael L. Ehrman.....	Severance Pay	\$ 283,250	\$ 283,250	—
	Exercise of Vested Stock Options Upon Termination	—	—	—
	Realization of Restricted Stock Awards Upon Termination	\$ 122,291	\$ 371,800	\$ 371,800
	Realization of Performance Share Awards Upon Termination	— ⁽³⁾	— ⁽⁴⁾	— ⁽⁴⁾
	Benefit Continuation	\$ 28,247	\$ 28,247	—

- (1) Pursuant to the option award agreements entered into between the Company and each Named Executive Officer, options that have vested as of the date of termination of employment generally are exercisable for a period of 90 days following the date of termination (or 365 days, in the case of termination of employment resulting from death or disability). Moreover, the terms of the severance agreements entered into between the Company and each of the Named Executive Officers (other than Norman L. Ellis) generally provide for accelerated vesting of a portion of the unvested options held by the individual in the event of termination of his employment for either of the following reasons (each, a “Trigger Event”): (i) the termination of the executive’s employment by the Company without “cause” (as defined in the severance agreements), or (ii) the executive’s resignation for “good reason” within six months following a “change in control event” (as each such term is defined in the severance agreements). There were no such stock options held by the Named Executive Officers at December 31, 2015 that were in-the-money as of such date.
- (2) Our equity compensation plans provide that all outstanding options will become exercisable upon a change in control (as defined in the applicable plan). There were no such stock options held by the Named Executive Officers at December 31, 2015 that were in-the-money as of such date.
- (3) Pursuant to the severance agreements entered into between the Company and each of our Named Executive Officers (other than Norman L. Ellis), upon the occurrence of a Trigger Event, performance shares granted under restricted stock unit award agreements entered into by the Company and such executive will be awarded in an amount and to the extent of the sum of any “interim shares” that may have been earned but not issued upon the achievement of certain performance targets as of the end of any of the first two fiscal years within the three-year performance period. However, as these performance targets had not been met as of December 31, 2015, no portion of the performance shares would be issuable to any of the executives as of such date.
- (4) Under the long-term incentive plan for 2012 and related restricted stock unit award agreements entered into between the Company and each Named Executive Officer (other than Norman L. Ellis), upon the occurrence of a change in control (as defined in the Company’s 2007 Equity Compensation Plan), performance shares granted under restricted stock unit award agreements entered into by the Company and each Named Executive Officer (other than Norman L. Ellis) will be awarded in an amount and to the extent of the sum of any “interim shares” that may have been earned but not issued upon the achievement of certain performance targets as of the end of any of the first two fiscal years within the three-year performance period. However, as these performance targets had not been met as of December 31, 2015, no portion of the performance shares would be issuable to any of the Named Executive Officers as of such date.

Compensation Committee Interlocks and Insider Participation

The members of the Compensation Committee are Kenneth Brakebill, Ron Konezny and Tony Trouset. No member of the Compensation Committee is or has been an executive officer or employee of our Company or except as set forth above under the heading “Certain Relationships and Related Transactions,” had any relationships requiring disclosure by us under the SEC’s rules requiring disclosure of certain relationships and related-party transactions. None of our executive officers served as a director or a member of a compensation committee (or other committee serving an equivalent function) of any other entity, the executive officers of which served as a director or member of the Compensation Committee during the fiscal year ended December 31, 2015.

Risk Considerations

We do not believe that our compensation practices and policies for our employees, including our executive officers, create risks or are likely to create risks that are reasonably likely to have a material adverse effect on us or our results of operations or financial condition.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information regarding ownership of shares of our common stock as of April 18, 2016, by:

- each stockholder known by us to own beneficially more than 5% of our outstanding common stock;
- each of our executive officers named in the “Summary Compensation Table” in this Proxy Statement (these executive officers are sometimes referred to herein as the “Named Executive Officers”);
- each of our current directors and nominees for election as directors at the Annual Meeting; and
- all of our directors and executive officers as a group.

To our knowledge, except as set forth in the footnotes to the table and subject to applicable community property laws, each person or entity named in the table has sole voting and disposition power with respect to the shares set forth opposite such person's or entity's name. The number of shares beneficially owned by each entity, person, director or executive officer is determined in accordance with the rules of the SEC, and the information is not necessarily indicative of beneficial ownership for any other purpose. Under such rules, beneficial ownership includes any shares over which the individual has the sole or shared voting power or investment power and any shares that the individual has the right to acquire within 60 days of April 18, 2016, through the exercise of stock options, warrants or other convertible securities or any other right. Shares of our common stock that a person has the right to acquire within 60 days of April 18, 2016 are deemed outstanding for purposes of computing the percentage ownership of the person holding such rights, but are not deemed outstanding for purposes of computing the percentage ownership of any other person (except with respect to the percentage ownership of all directors and executive officers as a group). As used in this Proxy Statement, "voting power" is the power to vote or direct the voting of shares and "investment power" includes the power to dispose or direct the disposition of shares.

The number and percentage of shares beneficially owned is computed on the basis of 13,824,547 shares of our common stock outstanding as of April 18, 2016. The information in the following table regarding the beneficial owners of more than 5% of our common stock is based upon information supplied by our principal stockholders or set forth in Schedules 13D and 13G filed with the SEC. The determination that there were no other persons, entities or groups known to the Company to beneficially own more than 5% of the Company's outstanding common stock was based on a review of all statements filed with the SEC with respect to the Company pursuant to Section 13(d) or 13(g) of the Exchange Act.

The address for those persons for which an address is not otherwise provided is c/o I.D. Systems, Inc., 123 Tice Boulevard, Woodcliff Lake, New Jersey 07677.

<u>Name and Address of Beneficial Owner</u>	<u>Number of Shares of Common Stock Beneficially Owned</u>	<u>Percentage of Shares of Common Stock Outstanding ⁽¹⁾</u>
<u>5% Stockholders:</u>		
Lloyd I. Miller, III 3300 South Dixie Highway, Suite 1-365 West Palm Beach, FL 33405	1,857,323 ⁽²⁾	13.43%
Avis Budget Group, Inc. 6 Sylvan Way Parsippany, New Jersey 07054	1,600,000 ⁽³⁾	11.57%
Cannell Capital LLC 245 Meriwether Circle Alta, WY 83414.....	1,080,635 ⁽⁴⁾	7.82%
Sterling Capital Management LLC 4350 Congress Street, Suite 1000 Charlotte, NC 28209.....	1,056,568 ⁽⁵⁾	7.64%
Emancipation Management LLC 825 Third Avenue New York, NY 10022.....	1,038,594 ⁽⁶⁾	7.51%
<u>Executive Officers:</u>		
Kenneth S. Ehrman ⁽⁷⁾	842,014 ⁽⁸⁾	6.01%
Ned Mavrommatis	264,500 ⁽⁹⁾	1.90%
Michael L. Ehrman	489,739 ⁽¹⁰⁾	3.50%
Norman L. Ellis	133,334 ⁽¹¹⁾	*
<u>Directors</u>		
Kenneth Brakebill.....	44,516 ⁽¹²⁾	*
Michael Brodsky.....	126,694 ⁽¹³⁾	*
Ron Konezny	43,005 ⁽¹⁴⁾	*
Tony Trouset.....	38,860 ⁽¹⁵⁾	*
All directors and executive officers as a group (eight individuals)...	1,982,662 ⁽¹⁶⁾	13.82%

* Represents less than 1% of the outstanding shares of our common stock.

- (1) Ownership percentages are based on 13,824,547 shares of common stock of the Company outstanding as of April 18, 2016.
- (2) Based on information contained in Amendment No. 2 to Schedule 13G filed with the SEC on February 2, 2016, and a Form 4 filed on each of February 23, 2016, February 24, 2016, March 7, 2016 and March 10, 2016, Lloyd I. Miller, III beneficially owns an aggregate of 1,857,323 shares of the Company's common stock, with sole voting and dispositive power over 1,849,423 shares and shared voting and dispositive power over 7,900 shares.

- (3) On August 25, 2011, Avis Budget Group, Inc., a Delaware corporation (“Avis”), filed with the SEC a Schedule 13G with respect to the beneficial ownership of an aggregate of 1,600,000 shares of the Company’s common stock, with sole voting and dispositive power over these 1,600,000 shares. These shares are comprised of: (i) 1,000,000 shares of common stock and (ii) up to 600,000 shares of common stock underlying a common stock warrant (the “Warrant”) issued to Avis pursuant to the terms of Purchase Agreement, dated as of August 22, 2011, by and between the Company and Avis. The Warrant is exercisable (x) immediately with respect to 100,000 shares of common stock, and (y) with respect to the remaining 500,000 shares of common stock, at any time on or after the date (if any) on which Avis Budget Car Rental, LLC, a subsidiary of Avis, executes and delivers to the Company a particular statement of work agreed upon by the parties.
- (4) On February 12, 2016, Cannell Capital LLC, a Wyoming limited liability company (“Cannell Capital”), and J. Carlo Cannell, a U.S. citizen who serves as the managing member of Cannell Capital, filed with the SEC a Schedule 13G with respect to the beneficial ownership of 1,080,635 shares of the Company’s common stock, with shared voting and dispositive power over these shares.
- (5) On January 29, 2016, Sterling Capital Management LLC, a North Carolina limited liability company, filed with the SEC a Schedule 13G with respect to the beneficial ownership of 1,056,568 shares of the Company’s common stock, with sole voting and dispositive power over these shares.
- (6) On March 9, 2016, Emancipation Management LLC, a New York limited liability company (“Emancipation Management”), Emancipation Capital Master, Ltd., a Cayman islands exempted company, and Charles Frumberg, a U.S. citizen who serves as the managing member of Emancipation Management, filed with the SEC Amendment No. 1 to Schedule 13D with respect to the beneficial ownership of an aggregate of 1,038,594 shares of the Company’s common stock, with shared voting and dispositive power over these shares.
- (7) Kenneth S. Ehrman also is a director.
- (8) This number includes (i) 179,364 shares of our common stock issuable upon exercise of options which are currently exercisable or which will become exercisable within 60 days of April 18, 2016; (ii) 37,500 restricted shares of common stock, 33 1/3% of which shares vest on each of September 8, 2016, September 8, 2017 and September 8, 2018, provided that Mr. Ehrman is employed by the Company on each such date; (iii) 60,000 restricted shares of common stock, 25% of which shares vest on each of June 11, 2016, June 11, 2017, June 11, 2018 and June 11, 2019, provided that Mr. Ehrman is employed by the Company on each such date; (iv) 30,000 restricted shares of common stock, 25% of which shares vest on each of March 24, 2017, March 24, 2018, March 24, 2019 and March 24, 2020, provided that Mr. Ehrman is employed by the Company on each such date; (v) 49,000 shares of our common stock held by Mr. Ehrman’s wife’s IRA account; and (vi) 21,600 shares of our common stock held by Mr. Ehrman’s 401(k) account.
- (9) This number includes (i) 104,233 shares of our common stock issuable upon exercise of options which are currently exercisable or which will become exercisable within 60 days of April 18, 2016; (ii) 37,500 restricted shares of common stock, 33 1/3% of which shares vest on each of September 8, 2016, September 8, 2017 and September 8, 2018, provided that Mr. Mavrommatis is employed by the Company on each such date; (iii) 30,000 restricted shares of common stock, 25% of which shares vest on each of June 11, 2016, June 11, 2017, June 11, 2018 and June 11, 2019, provided that Mr. Mavrommatis is employed by the Company on each such date; and (iv) 15,000 restricted shares of common stock, 25% of which shares vest on each of March 24, 2017, March 24, 2018, March 24, 2019 and March 24, 2020, provided that Mr. Mavrommatis is employed by the Company on each such date.
- (10) This number includes (i) 164,659 shares of our common stock issuable upon exercise of options which are currently exercisable or which will become exercisable within 60 days of April 18, 2016; (ii) 37,500 restricted shares of common stock, 33 1/3% of which shares vest on each of September 8, 2016, September 8, 2017 and September 8, 2018, provided that Mr. Ehrman is employed by the Company on each such date; (iii) 30,000 restricted shares of common stock, 25% of which vest on each of June 11, 2016, June 11, 2017, June 11, 2018 and June 11, 2019, provided that Mr. Ehrman is employed by the Company on each such date; and (iv) 15,000 restricted shares of common stock, 25% of which shares vest on each of March 24, 2017, March 24, 2018, March 24, 2019 and March 24, 2020, provided that Mr. Ehrman is employed by the Company on each such date.
- (11) This number includes (i) 33,334 shares of our common stock issuable upon exercise of options which are currently exercisable or which will become exercisable within 60 days of April 18, 2016; (ii) 50,000 restricted shares of common stock, all of which vest on July 21, 2017, provided that Mr. Ellis is employed by the Company on such date; (iii) 30,000 restricted shares of common stock, 25% of which shares vest on each of June 11, 2016, June 11, 2017, June 11, 2018 and June 11, 2019, provided that Mr. Ellis is employed by the Company on each such date; and (iv) 15,000 restricted shares of common stock, 25% of which shares vest on each of March 24, 2017, March 24, 2018, March 24, 2019 and March 24, 2020, provided that Mr. Ellis is employed by the Company on each such date.

- (12) This number includes (i) 16,519 restricted shares of our common stock, all of which vest on September 1, 2016, provided that Mr. Brakebill is a director of the Company on such date and (ii) 11,250 shares of our common stock issuable upon exercise of options which are currently exercisable or which will become exercisable within 60 days of April 18, 2016.
- (13) This number includes (i) 21,179 restricted shares of our common stock, all of which vest on September 1, 2016, provided that Mr. Brodsky is a director of the Company on such date; (ii) 76,000 shares of Common Stock held by Vajra Fund I, L.P., of which Mr. Brodsky is the general partner; and (iii) 11,250 shares of our common stock issuable upon exercise of options which are currently exercisable or which will become exercisable within 60 days of April 18, 2016.
- (14) This number includes (i) 16,943 restricted shares of our common stock, all of which vest on September 1, 2016, provided that Mr. Konezny is a director of the Company on such date and (ii) 11,250 shares of our common stock issuable upon exercise of options which are currently exercisable or which will become exercisable within 60 days of April 18, 2016.
- (15) This number includes (i) 14,825 restricted shares of our common stock, all of which vest on September 1, 2016, provided that Mr. Trouset is a director of the Company on such date and (ii) 11,250 shares of our common stock issuable upon exercise of options which are currently exercisable or which will become exercisable within 60 days of April 18, 2016.
- (16) This number includes an aggregate of 526,590 shares of our common stock issuable upon exercise of options which are currently exercisable or which will become exercisable within 60 days of April 18, 2016.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires our executive officers, directors and persons who own more than 10% of a registered class of our equity securities to file with the SEC statements on Form 3, Form 4 and Form 5 of ownership and changes in ownership. Officers, directors and greater than 10% stockholders are required by regulation to furnish us with copies of all Section 16(a) reports that they file.

Based solely upon a review of Forms 3, 4 and 5 and any amendments to those forms that have been furnished to us, we believe that all parties subject to the reporting requirements of Section 16(a) filed all such required reports during and with respect to the fiscal year ended December 31, 2015, except that each of Kenneth S. Ehrman, Michael L. Ehrman and Ned Mavrommatis filed late with the SEC a Form 4 with respect to our withholding of shares of our common stock to satisfy tax withholding obligations upon the vesting of a restricted stock award.

PROPOSAL NO. 2

RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee has appointed the firm of EisnerAmper LLP as the independent registered public accounting firm to audit our financial statements for the current fiscal year, subject to the ratification of such appointment by our stockholders. Representatives of EisnerAmper LLP are expected to be present at the Annual Meeting and will have an opportunity to make a statement, if they so desire, and will be available to respond to appropriate questions.

Fees and Services of Independent Registered Certified Public Accounting Firm

Audit Fees

The aggregate fees billed by EisnerAmper LLP, our independent registered public accounting firm, for professional services rendered for the audit of our annual financial statements for the fiscal years ended December 31, 2015 and 2014, and for the review of the financial statements included in our Quarterly Reports on Form 10-Q during the fiscal years ended December 31, 2015 and 2014, were \$153,500 and \$150,500, respectively.

Audit-Related Fees

The aggregate fees billed by EisnerAmper LLP for assurance and related services reasonably related to the performance of the audit or review of our financial statements during the fiscal years ended December 31, 2015 and 2014, other than the fees described under the caption “Audit Fees” above, were \$29,500 and \$0, respectively. The aggregate fees for such services during the fiscal year ended December 31, 2015 were attributable to services provided in connection with potential merger and acquisition activity and a registration statement on Form S-8 filed by the Company with the SEC during such fiscal year.

Tax Fees

There were no fees billed by EisnerAmper LLP for professional services rendered for tax compliance, tax advice or tax planning during fiscal years ended December 31, 2015 and 2014.

All Other Fees

The aggregate fees billed by EisnerAmper LLP for products or professional services rendered during the fiscal years ended December 31, 2015 and 2014, other than services described under the captions “Audit Fees” and “Audit-Related Fees” above, were \$0 and \$4,637, respectively. The aggregate fees for products or professional services billed by EisnerAmper LLP during each of the fiscal years ended December 31, 2015 and December 31, 2014 were for their assistance with the evaluation of a new enterprise resource planning software for our business.

Audit Committee’s Pre-Approval Policies and Procedures

The Audit Committee pre-approves all services, including both audit and non-audit services, provided by our independent accountants. For audit services, each year the independent registered public accounting firm provides the Audit Committee with an engagement letter outlining the scope of the audit services proposed to be performed during the year, which must be formally accepted by the Audit Committee before the audit commences. The independent registered public accounting firm also submits an audit services fee proposal, which also must be approved by the Audit Committee before the audit commences. None of the fees for services described above under the captions “Audit-Related Fees” or “All Other Fees” approved by the Audit Committee were approved pursuant to the exception provided by paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE “FOR” THE RATIFICATION OF THE APPOINTMENT OF EISNERAMPER LLP AS THE COMPANY’S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING DECEMBER 31, 2016.

PROPOSAL NO. 3

ADVISORY VOTE ON THE COMPANY'S EXECUTIVE COMPENSATION

In accordance with recently adopted Section 14A of the Exchange Act, which was added under the Dodd-Frank Wall Street Reform and Consumer Protection Act, we are asking stockholders to approve an advisory resolution on the Company's executive compensation as reported in this Proxy Statement. Our executive compensation programs are designed to support the Company's long-term success. As described above in the "Compensation Discussion and Analysis" section of this Proxy Statement, the Compensation Committee has structured our executive compensation program to achieve the following key objectives:

- to provide a total rewards package to our executives that are competitive with our peer companies;
- to attract and retain key talent;
- to link pay to performance by providing incentives that promote short and long-term financial growth and stability to continuously enhance stockholder value.

We believe that our performance-based executive compensation programs provide incentives that are aligned with the best interests of our stockholders and have facilitated the Company's performance.

We urge stockholders to read the "Compensation Discussion and Analysis" above, which describes in more detail how our executive compensation policies and procedures operate and are designed to achieve our compensation objectives, as well as the Summary Compensation Table and related compensation tables and narrative contained herein, which provide detailed information on the compensation of our Named Executive Officers. The Board believes that the policies and procedures articulated in the "Compensation Discussion and Analysis" are effective in achieving our goals and that the compensation of our Named Executive Officers reported in this Proxy Statement has supported and contributed to the Company's success.

Accordingly, we are asking stockholders to approve the following advisory resolution at the Annual Meeting:

RESOLVED, that the stockholders of I.D. Systems, Inc. (the "Company") approve, on an advisory basis, the compensation of the Company's named executive officers set forth in the Compensation Discussion and Analysis, the Summary Compensation Table and the related compensation tables and narrative in the Proxy Statement relating to the Company's 2016 Annual Meeting of Stockholders.

This advisory resolution, commonly referred to as a "say-on-pay" resolution, is non-binding on the Board. Although non-binding, the Board and the Compensation Committee will carefully review and consider the voting results when evaluating our executive compensation program.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE "FOR" THIS PROPOSAL NO. 3 AND APPROVE, ON AN ADVISORY BASIS, THE COMPANY'S EXECUTIVE COMPENSATION.

STOCKHOLDERS' PROPOSALS FOR NEXT ANNUAL MEETING

Stockholder proposals to be presented at our annual meeting of stockholders to be held in 2017, for inclusion in our proxy statement and form of proxy relating to that meeting, must be received by us at our principal executive offices, 123 Tice Boulevard, Woodcliff Lake, New Jersey 07677, addressed to the Corporate Secretary, on or before December 26, 2016. If, however, our 2017 Annual Meeting of Stockholders is changed by more than thirty (30) days from the date of the Annual Meeting, the deadline is a reasonable time before we begin to print and mail our proxy materials for the 2017 Annual Meeting of Stockholders. Such stockholder proposals must comply with our bylaws and the requirements of Regulation 14A of the Exchange Act.

Rule 14a-4 of the Exchange Act governs our use of our discretionary proxy voting authority with respect to a stockholder proposal that is not addressed in the proxy statement. With respect to our annual meeting of stockholders to be held in 2017, if we are not provided notice of a stockholder proposal prior to March 11, 2017, we will be permitted to use its discretionary voting authority when the proposal is raised at the meeting, without any discussion of the matter in the proxy statement.

OTHER MATTERS

As of the date of this Proxy Statement, the Board of Directors is not aware of any matters, other than those stated above, that may be brought before the Annual Meeting. The persons named in the enclosed form of proxy or their substitutes will vote with respect to any such matters in accordance with their best judgment.

By order of the Board of Directors,

/s/ Ned Mavrommatis

Ned Mavrommatis

Corporate Secretary

Dated: April 25, 2016

A COPY OF THE COMPANY'S ANNUAL REPORT ON FORM 10-K FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015 (EXCLUDING EXHIBITS) ACCOMPANIES THIS PROXY STATEMENT. THE ANNUAL REPORT IS NOT TO BE REGARDED AS PROXY SOLICITING MATERIAL OR AS A COMMUNICATION BY MEANS OF WHICH ANY SOLICITATION IS TO BE MADE.

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2015.

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

For the transition period from _____ to _____.

Commission file number: **1-15087**

I.D. SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

22-3270799
(IRS Employer
Identification No.)

123 Tice Boulevard, Woodcliff Lake, New Jersey
(Address of principal executive offices)

07677
(Zip Code)

(201) 996-9000

(Registrant's telephone number, including area code)

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

Common Stock, par value \$0.01 per share
(Title of class)

The NASDAQ Global Market
(Name of exchange on which registered)

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

Indicate by checkmark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by checkmark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the registrant's common stock, par value \$0.01 per share ("Common Stock"), held by non-affiliates, computed by reference to the price at which the Common Stock was last sold as of June 30, 2015, the last business day of the registrant's most recently completed second fiscal quarter, was approximately \$73.8 million.

The number of shares of the registrant's Common Stock outstanding as of March 25, 2016, was 13,849,363 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Document

Part of Form 10-K

Portions of the Proxy Statement For the Registrant's 2016 Annual Meeting of Stockholders Part III

I.D. SYSTEMS, INC.

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PART I.

Cautionary Note Regarding Forward-Looking Statements

In addition to historical information, this Annual Report on Form 10-K of I.D. Systems, Inc. contains “forward-looking statements” (within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)), which may include information concerning our beliefs, plans, objectives, goals, expectations, strategies, anticipations, assumptions, estimates, intentions, future events, future revenues or performance, capital expenditures and other information that is not historical information. Forward-looking statements involve known and unknown risks, uncertainties and other factors, which may be beyond our control, and which may cause our actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Many of these statements appear, in particular, under the headings “Business,” “Selected Financial Data” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this Annual Report on Form 10-K. When used in this report, the words “seek,” “estimate,” “expect,” “anticipate,” “project,” “plan,” “contemplate,” “plan,” “continue,” “intend,” “believe” and variations of such words or similar expressions are intended to identify forward-looking statements. All forward-looking statements are based upon our current expectations and various assumptions. We believe there is a reasonable basis for our expectations and beliefs, but there can be no assurance that we will realize our expectations or that our beliefs will prove to be correct.

There are a number of risks and uncertainties that could cause our actual results to differ materially from the forward-looking statements contained in this report. Important factors that could cause our actual results to differ materially from those expressed as forward-looking statements herein include, but are not limited, to:

- future economic and business conditions;
- the loss of any of our key customers or reduction in the purchase of our products by any such customers;
- the failure of the markets for our products to continue to develop;
- our inability to adequately protect our intellectual property;
- the possibility that we may not be able to integrate successfully the business, operations and employees of acquired businesses;
- the effects of competition from a wide variety of local, regional, national and other providers of wireless solutions;
- changes in laws and regulations or changes in generally accepted accounting policies, rules and practices;
- changes in technology or products, which may be more difficult or costly, or less effective, than anticipated; and
- those risks and uncertainties set forth under the heading “Risk Factors” in Item 1A of this report.

There may be other factors of which we are currently unaware or which we currently deem immaterial that may cause our actual results to differ materially from the forward-looking statements. All forward-looking statements attributable to us or persons acting on our behalf apply only as of the date they are made and are expressly qualified in their entirety by the cautionary statements included in this report. Except as may be required by law, we undertake no obligation to publicly update or revise any forward-looking statement to reflect events or circumstances occurring after the date they were made or to reflect the occurrence of unanticipated events, or otherwise.

Note Regarding Trademarks

I.D. Systems has, or has applied for, trademark protection for I.D. SYSTEMS®, the I.D. SYSTEMS Logo®, VEHICLE ASSET COMMUNICATOR®, AVRAMP®, OPTI-KAN®, SECURESTREAM®, POWERFLEET®, SAFENAV®, POWERFLEET VISION®, POWERFLEET IQ™, INTELLIPOINT®, VERIWISE & Design®, VERIWISE™, VERIWISE IQ™, and ASSET INTELLIGENCE™.

Item 1. Business

Overview

I.D. Systems, Inc. was incorporated in the State of Delaware in 1993. I.D. Systems, Inc. (together with its subsidiaries, “I.D. Systems,” the “Company,” “we,” “our” or “us”) develops, markets and sells wireless machine-to-machine (“M2M”) solutions for managing and securing high-value enterprise assets. These assets include industrial vehicles such as forklifts and airport ground support equipment, rental vehicles, and transportation assets such as dry van trailers, refrigerated trailers, railcars and containers. Our patented systems utilize radio frequency identification (RFID), Wi-Fi, satellite or cellular communications, and sensor technology and software to address the needs of organizations to control, track, monitor and analyze their assets. Our solutions enable customers to achieve tangible economic benefits by making timely, informed decisions that increase the safety, security, revenue, productivity and efficiency of their operations.

We have focused our business activities on three primary applications: (i) industrial fleet management, (ii) transportation asset management, and (iii) rental fleet management. Our solution for industrial fleet management allows our customers to reduce operating costs and capital expenditures and to comply with certain safety regulations by accurately and reliably measuring and controlling fleet activity. This solution also enhances security at industrial facilities and areas of critical infrastructure, such as airports, by controlling access to, and restricting the use of, vehicles and equipment. Our solution for transportation asset management allows our customers to increase revenue per asset deployed, reduce fleet size, and improve the monitoring and control of sensitive cargo. Our solution for rental fleet management assists rental car companies in generating higher revenue by more accurately tracking vehicle data, such as fuel consumption and odometer readings, and improving customer service by expediting the rental and return processes. In addition, our wireless solution for “car sharing” enables rental car companies to establish a network of vehicles positioned strategically around cities or on corporate campuses, control vehicles remotely, manage member reservations by smart phone or Internet, and charge members for vehicle use by the hour.

To provide an even deeper layer of insights into asset operations, we have developed a cloud-based software tool called I.D. Systems Analytics (“Analytics”), which is designed to provide a single, integrated view of asset activity across multiple locations, generating enterprise-wide benchmarks and peer-industry comparisons. Analytics determines key performance indicators (“KPIs”) relating to the performance of managed assets. Values for the KPIs may then be calculated and used to identify cost benefit measurements which translate the KPI values into monetized metrics. We expect that our growing database from monitored assets will allow us to create industry benchmarks that can be used to tell our customers how they are performing compared to their peers. We look for Analytics, as well as the data contained therein, to make a growing contribution to revenue, further differentiate and add value to our solutions, and help keep us at the forefront of the wireless asset management markets we serve.

We sell our solutions to both executive and division-level management. Typically, our initial system deployment serves as a basis for potential expansion across the customer’s organization. We work closely with customers to help maximize the utilization and benefits of our system and demonstrate the value of enterprise-wide deployments. Post-implementation, we consult with our customers to further extend and customize the benefits to the enterprise by delivering enhanced analytics capabilities.

We market and sell our solutions to a wide range of customers in the commercial and government sectors. Our customers operate in diverse markets, such as automotive manufacturing, heavy industry, retail and wholesale distribution, transportation, aviation, aerospace and defense, homeland security and vehicle rental. Based on revenues for 2015, our top customers were Wal-Mart Stores, Inc. and the Raymond Corporation, a global provider of lift trucks, forklifts and material handling technology.

Our Solutions

We design and implement wireless M2M asset management solutions that deliver an enterprise-level return on investment for our customers. Our solutions can be categorized as either closed-loop systems for managing campus-based assets, or mobile systems for managing remote, “over-the-road” assets.

Industrial and Rental Fleet Asset Management Solutions

Our closed-loop campus-based asset management solutions incorporate short range wireless devices that provide on-board control, location tracking and data processing for enterprise assets, to provide real-time visibility of, and two-way communications with, such assets. These systems provide architectural and functional advantages that differentiate them from systems used for inventory and logistics tracking. For example, while inventory tracking systems rely on constant, continuous radio frequency (RF) connectivity to perform core functions, our systems require only periodic RF communications, and our on-asset devices perform their core functions autonomously.

Our campus-based asset management system consists of four principal elements:

- miniature wireless programmable computers attached to assets;
- fixed-position communication infrastructure consisting of network devices with two-way wireless communication capabilities and, optionally RF-based location-emitting beacons;
- application-specific network servers, which may be hosted on the site's local area network (LAN), on an enterprise wide area network (WAN), or at a remote data center; and
- proprietary software, which is a user-friendly, browser-accessible graphical user interface that provides visibility and control of the system database, and which is hosted either at the local installation site or at a remote data center.

Each of these system elements can process and store information independently to create a unique, patented system of "distributed intelligence," which mitigates the risk that a single point of failure could compromise system integrity or data and asset security. Our on-asset hardware stores and processes information locally so that it can autonomously and automatically control the asset and monitor asset activity regardless of the status or availability of other system components. Our on-asset hardware performs its functions even when outside the RF range of any other system component or if the facility computer network is unavailable. Our communication infrastructure independently processes data and executes programmable application logic, in addition to linking monitored mobile asset data automatically to our system's database. The link to the system's database may leverage secure cellular communication, thereby permitting remotely-hosted server software without access to local IT infrastructure. Our server software populates the database and is designed to mitigate the effects of any computer outages that could affect real-time availability of the database. Finally, our client software interfaces only with the database, not directly with our communication infrastructure or on-asset hardware, which restricts access to, and limits corruption of, system information and minimizes network bandwidth usage.

Our campus-based asset management solutions focus on two primary applications: (i) industrial fleet management and (ii) rental fleet management. In addition to focusing on these core applications, we have adapted, and intend to continue to adapt, our wireless solutions to meet our customers' broader asset management needs.

Industrial Fleet Asset Management

Our PowerFleet® and didBOX solutions for industrial fleet management allow fleet operators to reduce operating costs and capital expenditures, comply with certain safety regulations and enhance security.

To help improve fleet safety and security, our PowerFleet® and didBOX systems provide vehicle operator access control to ensure that only trained and authorized personnel are able to use equipment, and impact sensing to assign responsibility for abusive driving.

PowerFleet® also provide: contactless operator identification; automatic wireless data communications; motion/idle detection, electronic vehicle inspection checklists for paperless compliance with governmental safety regulations; automatic reporting of emerging vehicle safety issues; automatic on-vehicle intervention, such as disabling equipment, in response to user-definable safety and security parameters; and remote vehicle deactivation capabilities, allowing a vehicle to be shut down manually or automatically under user-defined conditions.

In addition, our PowerFleet® system is compatible with a wide range of electronic driver identification technologies and can communicate using the customer's Wi-Fi network. PowerFleet® also provides indoor and outdoor vehicle/operator visibility through a combination of global positioning system (GPS) and RFID technologies, and geo-fencing to restrict vehicles from operating in prohibited areas or issue alerts upon unauthorized entry to such areas. PowerFleet® also supports optional sensing elements to provide additional vehicle utilization data, including load detection data, battery data and activity meter data.

To analyze and benchmark vehicle utilization and operator productivity, our PowerFleet® systems automatically record a wide range of activity and enable detailed performance comparisons to help management make informed decisions about vehicle and manpower allocations. This can lead to fleet and personnel reductions as well as increases in productivity. The PowerFleet® system also provides real-time and historical visibility of vehicle movements and other advanced asset management options.

To help reduce fleet maintenance costs, our PowerFleet systems are able to automate and enforce preventative maintenance scheduling by:

- wirelessly uploading usage data from each vehicle;

- defining various intervals and criteria for performing preventative maintenance;
- automatically prioritizing maintenance events based on weighted, user-defined variables;
- reporting in advance on vehicles with impending preventative maintenance events coming due;
- automatically sending reminders to individual vehicles or operators via the system's text messaging module; and
- enabling remote lock-out of vehicles overdue for maintenance.

The PowerFleet® system also enables maintenance personnel to locate and retrieve vehicles due for service via the system's optional graphical viewer software, and can provide automatic data feeds to our customers' existing enterprise maintenance software systems.

A specialized application of our solution in the industrial fleet management and security market is vehicle security, particularly at airports, seaports and other areas of critical infrastructure. The Aviation and Transportation Security Act of 2001 mandates security for aircraft servicing equipment, including aircraft tow tractors, baggage tugs, cargo loaders, catering vehicles and fuel trucks. The airport market-specific version of our system is called AvRamp®, referencing the aviation industry and the ramp area at airports in which aircraft servicing equipment operates. To date, the most significant commercial deployment of the AvRamp system has been on fleets of aircraft ground support equipment at Newark Liberty International Airport for United Airlines and Chicago O'Hare International Airport and Dallas-Fort Worth International Airport for AMR Corporation (American Airlines and American Eagle Airlines).

Transportation Asset Management Solutions

Our mobile systems for managing remote, "over-the-road" assets are provided by our Asset Intelligence subsidiary. These systems provide mobile-asset tracking and condition-monitoring solutions to meet the transportation market's desire for greater visibility, safety, security, and productivity throughout global supply chains. By leveraging a combination of satellite and cellular wireless communications and Web data management technologies, the Asset Intelligence VeriWise™ product family provides shippers and carriers with tools to better manage their trailer and container fleets, freight transport operations, and maintenance controls. VeriWise systems enable quick access to actionable intelligence that results in better utilization, control, and security of our customers' freight-carrying assets.

Our remote asset management systems consist of five principal elements:

- satellite or cellular communicators attached to assets;
- GPS receivers that provide latitude/longitude location fixes that are transmitted based on logic resident in the communicator;
- proprietary browser-based graphical user interface that provides visibility and two-way control of the system database (the data can also be transmitted to the customer via XML or web services data feed);
- patented power management intelligence to ensure reliable system performance in a power-starved environment; and
- several sensor types, including cargo, temperature, motion, light, tire inflation, and door, that provide additional status information for the remote asset.

To increase asset utilization, our VeriWise™ system can reduce the number of assets needed and/or increase the revenue generated per asset by:

- monitoring asset pool size based on user-defined requirements;
- generating dormancy reports to flag under-utilized assets;
- alerting the driver to the location of the closest empty asset, resulting in a more rapid pick-up; and
- providing trailer detention alerts when an asset has exceeded the time allotted for unloading.

To better control remote assets, our VeriWise™ system provides:

- integration into refrigerated asset microcontrollers to provide temperature and set point data and alerts via our VeriWise Intelligent Portal (VIP) or by an e-mail notification directly to the customer when an alarm condition develops;
- change in cargo status of an asset via our patented full-length cargo sensor;
- on-device geo-fencing that alerts the customer when an asset is approaching or leaving its destination; and
- on-board intelligence utilizing a motion sensor and proprietary logic that identifies the beginning of a drive and the end of a drive.

To help improve asset and cargo security, our VeriWise™ system offers the following capabilities:

- asset lockdown, which automatically sends an e-mail or text message to the customer when movement is detected outside of user-defined time periods;
- door sensors, which detect an unauthorized open door either by time or location, resulting in a door breach alert;
- emergency track functionality that can be enabled to track an asset at more frequent intervals if a theft condition is expected;
- geo-fencing, which can alert our customer when an asset enters a prohibited geography or location; and
- utilization of our Tractor ID product notification if the incorrect tractor connects to the asset.

Rental Fleet Asset Management

Our solution for traditional rental fleet management is designed both to enhance the consumer's rental experience and benefit the rental company by providing information that can be used to increase revenues, reduce costs and improve customer service. Our rental fleet management system automatically uploads vehicle identification number, mileage and fuel data as a vehicle enters and exits the rental lot, which can significantly expedite the rental and return processes for travelers and provide the rental company with more timely inventory status, more accurate billing data that can generate higher fuel-related revenue, and an opportunity to utilize customer service personnel for more productive activities, such as inspecting vehicles for damage and helping customers with luggage.

In addition, we provide a wireless solution for "car sharing", whereby a rental car company (i) positions vehicles strategically around cities, universities and corporate campuses for shared use by its members, (ii) remotely controls the vehicles, (iii) manages member reservations by smart phone or Internet, and (iv) charges members for vehicle use by the hour. The entire process - from remotely controlling the car door locks to tracking car mileage and fuel consumption to billing for the transaction - is automatically conducted by an integration of wireless vehicle management technology and the rental company's fleet management software. We currently have units deployed across the Northeast U.S. rental fleet of the Avis Budget Group, Inc.

Analytics

We recently introduced a data reporting and analysis software tool platform called I.D. Systems Analytics PowerFleet IQ (for fleets of forklifts and other industrial trucks) and VeriWise IQ (for fleets of containers, trailers and other transportation assets).

PowerFleet IQ and VeriWise IQ provide a holistic view of asset activity across an enterprise supply chain.

This cloud-based cloud-hosted, web-based software platform provides a single, integrated view of industrial asset activity across multiple locations, generating enterprise-wide benchmarks, peer-industry comparisons, and deeper insights into asset operations. Analytics PowerFleet IQ and VeriWise IQ can enable management to make more informed, effective decisions, raise asset performance standards, increase productivity, reduce costs, and enhance safety.

Specifically, I.D. Systems Analytics PowerFleet IQ and VeriWise IQ allows user to:

Quantify best-practice enterprise benchmarks for industrial asset utilization and safety;

Reveal variations and inefficiencies in asset activity across both sites and geographic regions;

Identify opportunities to eliminate or reallocate assets, with full enterprise awareness, to reduce capital and operating costs;

Help balance asset mix and inform acquisition decisions;

Uncover activity trends over time to forecast asset requirements; and

Enable performance comparisons to broad, industry-specific benchmarks.

We look for Analytics and the data contained therein to make a growing contribution to revenue, further differentiate and add value to our solutions, and help keep us at the forefront of the wireless asset management markets we serve, although there can be no assurance if and to what extent Analytics will do so.

Growth Strategy

Our objective is to become a leading global provider of wireless solutions for managing and securing enterprise assets. To achieve this goal, we intend to:

Increase sales in existing markets to existing customers and pursue opportunities with new customers by:

- maintaining a sales and marketing team that is focused on identifying, seizing and managing revenue opportunities, with the primary goal of expanding our customer base and achieving wider market penetration;
- utilizing a performance services team and our Analytics software offering to (i) shorten our initial sales cycles by helping prospective customers identify and quantify benefits expected from our system, (ii) accelerate transitions from initial implementation to roll-out programs by helping customers achieve and prove expected system benefits, and (iii) build service revenue through long-term consultative engagements that help customers use our system to attain continuous improvements in their operations;
- developing asset management-specific data analytics capabilities to differentiate our product offering, add value to our solutions for large enterprise customers, and produce incremental revenue at a high profit margin;
- developing channel partners to provide new sales, marketing, distribution and support networks, especially for the basic version of our PowerFleet system, which is designed to be simple enough for industrial truck dealers to sell and install without relying on the Company's technical resources, and easier for the Company to support by hosting in the Company's data center; and
- expanding our resources and activities internationally, especially in Europe and Asia, where we believe re-packaging, promoting and supporting our products represents a large growth opportunity.

Expand into new applications and markets for our technology by:

- pursuing opportunities to integrate our system with computer hardware and software vendors, including original equipment manufacturers;
- offering our solutions as a hosted service, with relatively low upfront capital investment and ongoing service contracts, which we believe will make our solutions easier to acquire for prospects in a broader segment of our target markets;
- establishing relationships with global distributors to market and sell our system internationally; and
- pursuing acquisitions of companies that we believe will enhance the functionality and broaden the applicability of our solutions.

Products and Services

We offer our customers integrated wireless solutions to control, monitor, track and analyze their enterprise assets. Our solutions are comprised of hardware and software, as well as hosting, maintenance, support and consulting services.

The following table sets forth our revenues by product line for the periods indicated:

	Year Ended December 31,		
	2013	2014	2015
Industrial and rental fleet management.....	\$ 22,089,000	\$ 26,894,000	\$ 24,531,000
Transportation asset management.....	17,857,000	18,739,000	17,253,000
	<u>\$ 39,946,000</u>	<u>\$ 45,633,000</u>	<u>\$ 41,784,000</u>

Industrial Fleet Asset Management Products

On-Asset Hardware. With a variety of mounting and user-interface options, our on-asset hardware is designed to be installed quickly and easily and provide an autonomous means of asset control and monitoring. Our on-asset hardware:

- contains an integrated computer, programmed with a product-specific application, and an advanced wireless transceiver with a communication range of up to approximately one-half mile;
- controls equipment access with a variety of electronic interface options;
- is compatible with most existing facility access security systems;
- generates paperless electronic safety checklists via a built-in display and keypad;
- wirelessly and automatically uploads and downloads data to and from other system components;
- performs monitoring and control functions at all times, independent of RF or network connectivity; and
- incorporates a multi-voltage power supply designed to mitigate electrical anomalies.

Wireless Asset Managers. Many of our system deployments require at least one fixed-position communication device, referred to as a Wireless Asset Manager, to link the mobile assets being monitored with the customer’s computer network or to a remotely hosted server. Our Wireless Asset Managers conduct two-way RF communications with the assets being monitored and can communicate on a local area network, on a wide area network, or via cellular communications. The use of Wireless Asset Managers enables flexible system configuration options and scalability. A single Wireless Asset Manager is sufficient to operate an entire asset management system. For expanded, real-time data communication and location tracking, Wireless Asset Managers can be added incrementally as needed. They also allow system settings and on-asset functionality to be changed without physically interfacing with on-asset hardware, which can save significant time and money.

Each of our Wireless Asset Managers:

- incorporates an integrated computer, programmed with a product specific application, and an advanced wireless transceiver with a communication range of more than one-half mile;
- accommodates an unlimited number of on-asset hardware devices;
- automatically uploads and downloads data to and from other system components;
- employs built-in self-diagnostic capabilities; and
- is configurable to achieve a wide range of asset management goals.

Server Software. Each of our system deployments requires at least one installation of our server software, which automatically manages data communications between the system’s database and either the Wireless Asset Managers or on-asset hardware. Our server software:

- is a set of Windows services;
- automatically processes data between our devices and system databases;
- communicates with Wireless Asset Managers to send and retrieve system data;

- automates event scheduling, including database archiving and diagnostic notifications;
- interfaces with certain existing external systems, including maintenance, timecard and training systems;
- supports remote control/management of event processes;
- automatically performs diagnostics on system components; and
- automatically e-mails event alerts and customizable reports.

Client Software. Our client software provides an intuitive, easy-to-use, user interface. The software is deployed either as a standard client-server application or as a thin-client accessible via a web browser. The software interfaces only with the system database, and not directly with our communication infrastructure or on-asset hardware, which restricts access to, and limits corruption of, system information and minimizes network bandwidth usage. An unlimited number of clients can be used on a network at any given time.

Our client software:

- is able to show the location, status and inventory of vehicles - in real time and historically - in each area of a facility;
- allows real-time, two-way text communications, including broadcast text paging to all operators simultaneously;
- searches, sorts and analyzes assets by usage/motion time, idle time, location, status, group, maintenance condition and other parameters;
- displays and prints predefined and ad hoc reports; and
- allows remote access by management, customers and vendors through any Internet browser application.

Our vehicle management systems are available as either Company- or customer-hosted solutions to meet a wide range of customer needs and information technology requirements. Our Company-hosted solutions utilize I.D. Systems' commercial colocation center.

Transportation Asset Management Products

On-Asset Hardware. We offer several hardware configurations to address different remote asset types (e.g., dry van trailers, refrigerated trailers, domestic containers, chassis, and railcars), as well as customer-specific requirements. Our on-asset hardware options contain:

- an integrated computer programmed with a product-specific application, a cellular or satellite transceiver, and a GPS receiver;
- temperature, door, cargo, or tractor ID sensors mounted on the asset;
- solar panels and circuitry to maintain the charge of the on-asset device's battery pack;
- either sealed lead acid or lithium battery packs to power the hardware when un-tethered from a power source; and
- a wire harness to connect to an existing power source (e.g., on the tractor).

Client Website. The VeriWise Intelligence Portal (VIP) is a hosted website that provides Internet access to client asset information. Upon installation of the on-asset hardware, the customer is provided access to the VIP site where they can configure the hardware, establish user passwords, IDs, and access privileges. Our client website:

- displays a user-configurable dashboard highlighting the enterprise's critical asset information;
- has the ability to e-mail the dashboard to a distribution list at a time interval established by the client;
- provides asset status and history, including location, landmark, and sensor information;
- provides latitude/longitude location information for each asset based on reverse geocodes;
- displays asset location on a geographic map;

- generates user configurable reports that can be accessed via the website or e-mailed to a distribution list at a time interval established by the client;
- allows the client to “ping” an asset to receive an updated location report; and
- allows the client to set a unit(s) to “Emergency Track”, which increases the reporting frequency for a specified time period.

Direct Data Feed. In addition to the asset information provided on the VIP website, we also offer a direct feed of the data to the customer via XML or web services. The feed complies with established industry conventions, such as TTIS (trailer tracking interface standard), to allow for easy integration into the client’s legacy system or into third-party software packages.

Services

Hosting Services. We provide the use of our systems as a remotely hosted service, with the system server and application software residing in the Company’s colocation center. This approach helps the Company reduce support costs and improve quality control. It separates the system from the restrictions of the customers’ local IT networks, which helps reduce their system support efforts and makes it easier for them to receive the benefits of system enhancements and upgrades. Our hosting services are typically offered with extended maintenance and support services over a multi-year term of service, with automatic renewals following the end of the initial term.

Maintenance Services. We provide a warranty on all hardware and software components of our system. During the warranty period, we either replace or repair defective hardware. We also make extended maintenance contracts available to customers and offer ongoing maintenance and support on a time and materials basis. Pricing for our extended maintenance and support contracts is dependent upon the level of service we expect to provide. Our maintenance and support services typically include remote system monitoring, help desk technical support, escalation procedure development and routine diagnostic data analysis.

Rental Fleet Asset Management Products

On-Asset Hardware. Our next-generation on-asset hardware is installed quickly, easily and covertly into a vehicle’s diagnostic port and provides an autonomous means of asset control and monitoring. Our on-asset hardware:

- contains an integrated computer programmed with a product-specific application, a cellular transceiver, and a GPS receiver;
- performs monitoring functions, such as fuel level, odometer, speed and key status at all times, independent of network connectivity;
- controls vehicle access and door locks;
- is compatible with most new-model motor vehicles; and
- wirelessly and automatically uploads and downloads data to and from other system components.

Server Software. Our system deployment requires at least one installation of our server software, which automatically manages data communications between the system’s databases and the on-asset hardware. Our server software:

- is a set of Windows services;
- automatically processes data between our devices and system databases;
- communicates with on-asset hardware to send and retrieve system data;
- interfaces with existing mobile applications, enabling end-customer vehicle control features;
- interfaces with external systems, including billing, geo-location, maintenance, and fleet management systems;
- automates event scheduling, including database archiving and diagnostic notifications;
- automatically performs diagnostics on system components; and
- automatically e-mails event alerts and customizable reports.

Our rental vehicle management systems are available as either Company- or customer-hosted solutions to meet our customers' needs and information technology requirements. Our Company-hosted solutions utilize I.D. Systems' commercial colocation center.

Customer Support and Consulting Services. We have developed a framework for the various phases of system training and support that offers our customers both structure and flexibility. Major training phases include hardware installation and troubleshooting, software installation and troubleshooting, "train-the-trainer" training on asset hardware operation, preliminary software user training, system administrator training, information technology issue training, ad hoc training during system launch and advanced software user training. Increasingly, training services are provided through scalable online interactive training tools. Support and consulting services are priced based on the extent of training that the customer requests.

To help our customers derive the most benefit from our system, we supply a broad range of documentation and support including videos, interactive online tools, hardware user guides, software manuals, vehicle installation overviews, troubleshooting guides, and issue escalation procedures.

We provide our consulting services both as a stand-alone service to study the potential benefits of implementing a wireless fleet management system and as part of the system implementation itself.

In some instances, customers prepay us for extended maintenance, support and consulting services. In those instances, the payment amount is recorded as deferred revenue and revenue is recognized over the service period.

New product development

In 2015, we improved our next generation vehicle management system on-vehicle platform, improved our product line of over-the-road asset management solutions and developed a next-generation rental vehicle management system as described below:

- we expect our fourth-generation of on-asset hardware for industrial vehicles, the VAC4, to provide benefits to both the Company (primarily through lower costs, easier installation, easier integration with our hosted service offering, and expanded functional capabilities) and end users (including a simpler, universal interface with all vehicle types, reduced installation time, compatibility with a wider range of driver ID cards, a larger display for vehicle operators, and enhancements to the content and style of the information displayed);
- we expect our next generation of VeriWise intermodal container tracking systems to help our customers maximize container fleet utilization and minimize container idle time by providing more accurate visibility of loading/unloading events and generating real-time data on load status throughout the shipment cycle;
- we expect our next generation of VeriWise intermodal chassis tracking systems to help our customers accurately bill for chassis rental and usage, and minimize chassis idle time by providing more accurate visibility of container loading/unloading events and by generating real-time data throughout the shipment cycle;
- we expect our next generation of VeriWise cellular trailer tracking systems to provide our customers with a lower-cost option for dry van trailer tracking when satellite communication is not required; and
- we expect our next generation of RentalFleet system to provide a more ubiquitous vehicle rental management solution to satisfy the needs of both car rental companies and shared vehicle fleets.

Sales and Marketing

Our sales and marketing objective is to achieve broad market penetration, with an emphasis both on expanding business opportunities with existing customers and on securing new customers.

We market our systems directly to commercial and government organizations and through indirect sales channels, such as original equipment manufacturers and industrial equipment dealers. In addition, we are actively pursuing strategic relationships with key companies in our target markets - including complementary hardware and software vendors and service providers - to further penetrate these markets by embedding our products in the assets our systems monitor and integrating our solutions with other systems.

We sell our systems to both executive and division-level management. Typically, our initial system deployment serves as a basis for potential expansion across the customer's organization.

We work closely with customers to help maximize the utilization and benefits of our system and demonstrate the value of enterprise-wide deployments.

We offer our customers hosting services and lease financing to facilitate the acquisition of our equipment and services.

Customers

We market and sell our wireless solutions to a wide range of customers in the commercial and government sectors. Our customers operate in diverse markets, such as automotive manufacturing, retail, shipping, freight transportation, heavy industry, wholesale distribution, aerospace and defense, homeland security, and vehicle rental.

During the year ended December 31, 2015, we generated revenues of \$41.8 million with Wal-Mart Stores, Inc. accounting for 23% of our revenues. During the year ended December 31, 2014, we generated revenues of \$45.6 million with Wal-Mart Stores, Inc. and the Raymond Corporation, accounting for 16% and 14%, respectively, of our revenues. During the year ended December 31, 2013, we generated revenues of \$39.9 million with Wal-Mart Stores, Inc. and the Raymond Corporation, accounting for 18% and 10%, respectively, of our revenues.

The Company enters into master agreements with its customers in the normal course of its business. These agreements define the terms of any sales of products and/or services by the Company to the applicable customer, including, but not limited to, terms regarding payment, support services, termination and assignment rights. These agreements generally obligate the Company only when products or services are actually sold to the customer thereunder.

We strive to establish long-term relationships with our customers in order to maximize opportunities for new application development and increased sales.

Competition

The market for our solutions is rapidly evolving, highly competitive and fragmented. Our target markets are also subject to quickly changing product technologies, shifting customer needs, regulatory requirements and frequent introductions of new products and services. A significant number of companies have developed or are developing and marketing software and hardware for wireless products that currently compete or will compete directly with our solutions. We compete with organizations varying in size, including many small, start-up companies as well as large, well-capitalized organizations. While some of our competitors focus exclusively on providing wireless asset management solutions, many are involved in wireless technology as an extension of a broader business. Many of our larger competitors are able to dedicate extensive financial resources to the research and development and deployment of wireless solutions. As government and commercial entities expand the use of wireless technologies, we expect that competition will continue to increase within our target markets.

We attempt to distinguish ourselves from our competitors by focusing on three primary applications: (i) industrial fleet management, (ii) rental fleet management, and (iii) remote transportation asset management. This focus has enabled us to direct product development efforts specifically suited for our target markets. Our on-asset devices are designed to operate independently of other system components, allowing for continuous asset control and data gathering even when the asset is out of wireless communication range. We believe that our proprietary technology as well as our experience in designing and developing products for our target markets distinguishes us within these markets.

In each of our markets, we encounter different competitors due to the dynamics of each market. In the industrial fleet management market, we are not aware of any competitors that can provide the precise capabilities of our systems due to our intellectual property and proprietary solutions; however, competitors do provide similar solutions that seek to address the same customer needs that our products address. Those companies include both emerging companies with limited operating histories, such as TotalTrax Inc., and SpeedShield, a unit of Automotion Control Systems Pty. Ltd., and companies with longer operating histories, greater name recognition and/or significantly greater financial, technical and marketing resources than ours, such as Crown Equipment Corp.

In the rental fleet management market, our solutions for traditional airport-based rental fleet management compete primarily against existing handheld devices, which are used widely by vehicle rental companies. Currently, the principal handheld device providers we compete against include Motorola and Intermec which was acquired by Honeywell International Inc. Our solutions for remote, decentralized rental fleet management compete primarily with companies in the car sharing market such as Hertz, Enterprise, Zipcar and City Car Share. Large system integrators and several of the national cellular wireless providers have started to offer solutions, which package third party hardware, firmware and software, that compete with our solutions. In the markets for both types of rental fleet solutions, our competitive position is differentiated by our patented product offering - a fully automated, readily installed, and cost-effective car rental system.

In the remote transportation asset management market, we compete against several established competitors, including Omnitracs, LLC, SkyBitz, Inc., and Par Technology Corporation, StarTrak Systems, LLC and Ameriscan, Inc. (which were acquired by Orbcomm Inc.) and Spireon, Inc. We attempt to differentiate our solutions in this segment by offering a choice of communication mode (satellite or cellular), patented battery management technology, sensor options (door, cargo, tractor ID), and installation configurations (dry van trailers, refrigerated trailers, domestic containers, flatbed trailers, covered hopper and tanker railcars, and chassis).

Research and Development

Our research and development team has expertise in areas such as software and firmware development, database design and data analytics, wireless communications, mechanical and electrical engineering, and both product and project management. In addition, we utilize external contractors to supplement our team in the areas of software development, digital design, and product testing.

We spent \$4.4 million, \$6.6 million, and \$4.6 million for research and development during the years ended December 31, 2013, 2014, and 2015, respectively.

Generally, our research and development efforts are focused on: simplifying the implementation, support and utilization of our systems; reducing the cost of our systems; increasing the reliability of our products; expanding the functionality of our systems to meet customer and market requirements; applying new advances in technology to enhance existing products; and building further competitive advantages through our intellectual property portfolio.

In 2015, we focused our research and development investments in several key areas:

- improving the reliability and performance of our next-generation vehicle management system platform, the VAC4, which simplifies installation and support requirements, in order to stimulate more widespread use of our technology on a broader range of equipment;
- improvement of business intelligence and data analytics tools to quantify and simplify customer benefit achievement, within a single deployed facility, across an enterprise and throughout an industry;
- improving the reliability and performance of our product line of over-the-road asset management solutions, including products tailored towards dry van trailers, intermodal containers and chassis;
- the development of our next-generation rental car management system, including a new in-vehicle hardware and firmware platform, and an improved, more scalable software solution;
- the development of a new version of our end-user software designed to increase the performance, stability and user experience associated with each of our software solutions; and
- the continued development of specific features and data interfaces for our solutions to meet the individual requirements of large customers.

Specifically in 2015, we transitioned to our next generation vehicle management system vehicle platform and improved our product line of over-the-road asset management solutions, as described below:

- we increased the performance and reliability of our fourth-generation on-vehicle device, the VAC4, which we expect to provide benefits to both the Company (primarily through lower costs, easier installation, integration with our hosted service offering, and expanded functional capabilities) and end users (including a simpler, universal interface with multiple vehicle types, reduced installation time, compatibility with a wider range of driver ID cards, a larger display for vehicle operators, and enhancements to the content and style of the information displayed);
- we increased the performance and reliability of three new transportation asset management products, the GSM-D400, an intermodal container tracking system, the GSM-D150, an intermodal chassis tracking device, and the GSM-D300, a dry van management system with an advanced cargo sensor, which enables customers to perform full-function asset monitoring with either satellite or cellular communications; and
- we improved the enterprise analysis and data drill-down capabilities of our Analytics platform for multi-site, multi-region customers.

Intellectual Property

Patents

We attempt to protect our technology and products through a variety of intellectual property protections, including the pursuit of patent protection in the United States and certain foreign jurisdictions. Because of the differences in patent laws and laws concerning proprietary rights, the extent of protection provided by U.S. patents or proprietary rights owned by us may differ from that of their foreign counterparts. Where strategically appropriate, we will attempt to pursue suspected violators of our patents and, whenever possible, monetize our intellectual property.

I.D. Systems has built a portfolio of patents and patent applications relating to various aspects of its technology and products. As of March 9, 2016, I.D. Systems has 21 U.S. patents, 3 pending U.S. patent applications, 1 pending foreign patent application, and 1 foreign patent. With the timely payment of all maintenance fees, the U.S. patents have expiration dates falling between 2016 and 2033. I.D. Systems also has foreign patents and pending applications relating to its wireless asset management system, and pending applications relating to its mobile RFID portal. No single patent or patent family is considered material to the I.D. Systems business.

I.D. Systems' AI subsidiary also utilizes patents to protect aspects of its intellectual property assets. The AI patent portfolio focuses on methods, systems, and devices for managing mobile assets and reducing power consumption in mobile assets. As of March 9, 2016, the AI patent portfolio includes 24 U.S. patents and 2 pending U.S. patent applications. With timely payments of all maintenance fees, the granted U.S. patents have expiration dates falling between 2017 and 2034. No single patent or family of patents is considered material to the AI business.

Trademarks

We have, or have applied for, trademark protection for I.D. SYSTEMS®, the I.D. SYSTEMS Logo®, VEHICLE ASSET COMMUNICATOR®, AVRAMP®, OPTI-KAN®, SECURESTREAM®, POWERFLEET®, SAFENAV®, POWERFLEET VISION®, POWERFLEET IQ™, INTELLIPOINT®, VERIWISE & Design®, VERIWISE™, VERIWISE IQ™, and ASSET INTELLIGENCE™.

We attempt to avoid infringing known proprietary rights of third parties in our product development and sales efforts. However, it is difficult to proceed with certainty in a rapidly evolving technological environment in which there may be numerous patent applications pending, many of which are confidential at the time of the application filing, with regard to similar technologies. If we were to discover that our products violate third-party proprietary rights, we may not be able to:

- obtain licenses to continue offering such products without substantial reengineering;
- reengineer our products successfully to avoid infringement;
- obtain licenses on commercially reasonable terms, if at all; or
- litigate an alleged infringement successfully or settle without substantial expense and damage awards.

Any claims against us relating to the infringement of third-party proprietary rights, even if without merit, could result in the expenditure of significant financial and managerial resources or in injunctions preventing us from distributing certain products. Such claims could materially adversely affect our business, financial condition and results of operations.

Our software products are susceptible to unauthorized copying and uses that may go undetected, and policing such unauthorized use is difficult. In general, our efforts to protect our intellectual property rights through patent, copyright, trademark and trade secret laws and contractual safeguards may not be effective to prevent misappropriation of our technology, or to prevent the development and design by others of products or technologies similar to, or competitive with, those developed by us. Our failure or inability to protect our proprietary rights could materially and adversely affect our business, financial condition and results of operations.

Manufacturing

We outsource our hardware manufacturing operations to leading contract manufacturers. This strategy enables us to focus on our core competencies - designing hardware and software systems and delivering solutions to customers - and avoid investing in capital-intensive electronics manufacturing infrastructure. Outsourcing also provides us with the ability to ramp up deliveries to meet increases in demand without increasing fixed expenses.

Our manufacturers are responsible for obtaining the necessary components and supplies to manufacture our products. While components and supplies are generally available from a variety of sources, manufacturers generally depend on a limited number of suppliers. In the past, unexpected demand for communication products has caused worldwide shortages of certain electronic parts and allocation of such parts by suppliers that had an adverse impact on the ability of manufacturers to deliver products as well as on the cost of producing such products.

Due to the general availability of manufacturers for our products, we do not believe that the loss of any of our manufacturers would have a long-term material adverse effect on our business, although there could be a short-term adverse effect on our business.

We generally attempt to maintain sufficient inventory to meet customer demand for products, as well as to meet anticipated sales levels. If our product mix changes in unanticipated ways, or if sales for particular products do not materialize as anticipated, we may have excess inventory or inventory that becomes obsolete. In such cases, our operating results could be negatively affected.

Government Regulations

The use of radio emissions is subject to regulation in the United States by various federal agencies, including the Federal Communications Commission, or FCC, and the Occupational Safety and Health Administration, or OSHA. Various state agencies also have promulgated regulations which concern the use of lasers and radio/electromagnetic emissions standards.

Regulatory changes in the United States and other countries in which we may operate in the future could require modifications to some of our products in order for us to continue manufacturing and marketing our products in those areas.

Our products intentionally transmit radio signals, including narrow band and spread spectrum signals, as part of their normal operation. We have obtained certification from the FCC for our products that require certification. Users of these products in the United States do not require any license from the FCC to use or operate our products. To market and sell our integrated wireless solutions in the European Union, we also utilize unlicensed radio spectra, and have obtained the required European Norm (EN) certifications.

In addition, some of our operations use substances regulated under various federal, state and local laws governing the environment and worker health and safety, including those governing the discharge of pollutants into the ground, air and water, the management and disposal of hazardous substances and wastes and the cleanup of contaminated sites. Certain of our products are subject to various federal, state and local laws governing chemical substances in electronic products.

The adoption of unfavorable regulations, or unfavorable interpretations of existing regulations by courts or regulatory bodies, could require us to incur significant compliance costs, cause the development of the affected markets to become impractical or otherwise adversely affect our ability to produce or market our products.

Employees

As of March 15, 2016, we had 101 full-time employees, including 10 employees based in Germany and the United Kingdom. Of our 101 total employees, 25 were engaged in customer service, 17 in product development (which includes engineering), 3 in new product management, 12 in operations, 27 in sales and marketing, 4 in information technology and 13 in executive, administration and finance. We believe that our relationships with our employees are good.

Available Information

Our primary website is www.id-systems.com. We make available on this website, free of charge, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish such information to, the Securities and Exchange Commission (“SEC”). We also make available on this website, free of charge, our Code of Ethics for Senior Financial Officers, which applies to our principal executive officer, principal financial officer and principal accounting officer.

Item 1A. Risk Factors

In addition to the other information contained in this Annual Report on Form 10-K, the following risk factors should be considered carefully in evaluating the Company's business. Our business, financial condition or results of operations could be materially and adversely affected by any of these risks. Additional risks not presently known to the Company or that the Company currently deems immaterial may also adversely affect our business, financial condition or results of operations.

We have incurred significant losses and have a substantial accumulated deficit. If we cannot achieve profitability, the market price of our common stock could decline significantly.

As of December 31, 2015, we had cash, cash equivalents and marketable securities of \$6.4 million, working capital of \$14.1 million and no debt. Our primary sources of cash are cash flows from operating activities and our holdings of cash, cash equivalents and investments. To date, we have not generated sufficient revenue solely from operating activities to fund our operations. In July 2015, we completed a strategic review which resulted in detailed plans to refocus our go-to market strategy on large enterprise customers aimed at increasing sales and reduced our headcount by approximately 20%. If we are unable to successfully implement our refocused go-to-market strategy, we may not realize the additional operating income expected as a result of the implementation, which may have a negative effect on the Company's business, financial condition and results of operations.

We incurred net losses of approximately \$7.5 million, \$11.6 million and \$10.0 million for the years ended December 31, 2013, 2014 and 2015, respectively, and have incurred additional net losses since inception. At December 31, 2015, we had an accumulated deficit of approximately \$85.1 million. Our ability to increase our revenues from the sale of our products will depend on our ability to successfully implement our growth strategy and the continued expansion of our markets. If our revenues do not grow or if our operating expenses continue to increase, we may not be able to become profitable and the market price of our common stock could decline.

Our ability to utilize net operating loss carry-forwards may be limited.

The Company has U.S. net operating loss carry-forwards ("NOLs") that expire through 2033. Section 382 of the Internal Revenue Code imposes an annual limitation on a corporation's ability to utilize NOLs if it experiences an "ownership change." In general terms, an ownership change may result from transactions increasing the ownership of certain stockholders in the stock of a corporation by more than 50% over a three-year period. Ownership changes in our stock, some of which are outside of our control, could result in a limitation in our ability to use our NOLs to offset future taxable income, could cause U.S. Federal income taxes to be paid earlier than otherwise would be paid if such limitation were not in effect and could cause such NOLs to expire unused, reducing or eliminating the benefit of such NOLs.

We are highly dependent upon sales of our wireless asset management system to a few customers. The loss of any of these customers, or any material reduction in the amount of our products they purchase, could materially and adversely affect our financial condition and results of operations.

During the year ended December 31, 2015, we generated revenues of \$41.8 million with Wal-Mart Stores, Inc. accounting for 23% of our revenues. During the year ended December 31, 2014, we generated revenues of \$45.6 million with Wal-Mart Stores, Inc. and the Raymond Corporation, accounting for 16% and 14%, respectively, of our revenues. During the year ended December 31, 2013, we generated revenues of \$39.9 million with Wal-Mart Stores, Inc. and the Raymond Corporation, accounting for 18% and 10%, respectively, of our revenues. The loss of these customers or any material reduction in the amount of our products that these customers purchase, or any material adverse change in the financial condition of such customers, could materially and adversely affect our financial condition and results of operations. If we are unable to replace such revenue from existing or new customers, the market price of our common stock could decline significantly.

If the market for our technology does not develop or become sustainable, expands more slowly than we expect or becomes saturated, our revenues will decline and our financial condition and results of operations could be materially and adversely affected.

Our success is highly dependent on the continued market acceptance of our wireless asset management system. The market for our wireless products and services is new and rapidly evolving. If the market for our products and services does not become sustainable, or becomes saturated with competing products or services, our revenues will decline and our financial condition and results of operations could be materially and adversely affected.

If we are unable to keep up with rapid technological change, we may be unable to meet the needs of our customers, which could materially and adversely affect our financial condition and results of operations and reduce our ability to grow our market share.

Our market is characterized by rapid technological change and frequent new product announcements. Significant technological changes could render our existing technology obsolete. We are active in the research and development of new products and technologies and in enhancing our current products. However, research and development in our industry is complex and filled with uncertainty. For example, it is common for research and development projects to encounter delays due to unforeseen problems, resulting in low initial volume production, fewer product features than originally considered desirable and higher production costs than initially budgeted, any of which may result in lost market opportunities. In addition, these new products may not adequately meet the requirements of the marketplace and may not achieve any significant degree of market acceptance. If our efforts do not lead to the successful development, marketing and release of new products that respond to technological developments or changing customer needs and preferences, our revenues and market share could be materially and adversely affected. We may expend a significant amount of resources in unsuccessful research and development efforts. In addition, new products or enhancements by our competitors may cause customers to defer or forego purchases of our products. Any of the foregoing could materially and adversely affect our financial condition and results of operations and reduce our ability to grow our market share.

We may incur additional charges for excess and obsolete inventory, which could adversely affect our cost of sales and gross profit.

While we strive to effectively manage our inventory, due to rapidly changing technology, and uneven customer demand, product cycles tend to be short and the value of our inventory may be adversely affected by changes in technology that affect our ability to sell the products in our inventory. If we do not effectively forecast and manage our inventory, we may need to write off inventory as excess or obsolete, which in turn, can adversely affect our cost of sales and gross profit.

We have previously experienced, and may in the future experience, reductions in sales of older generation products as customers delay or defer purchases in anticipation of new product introductions. During 2013 we recorded a reserve for slow moving or obsolete inventory of \$2,066,000 in connection with our strategic review and in anticipation of new product offerings. The reserves we have established for potential losses due to obsolete inventory may, however, prove to be inadequate and may give rise to additional charges for obsolete or excess inventory.

The long and variable sales cycles for our solutions may cause our revenues and operating results to vary significantly from quarter to quarter or year to year, which could adversely affect the market price of our common stock.

We expect that many customers who utilize our solutions will do so as part of a large-scale deployment of these solutions across multiple or all divisions of their organizations. A customer's decision to deploy our solutions throughout its organization will involve a significant commitment of its resources. Accordingly, initial implementations may precede any decision to deploy our solutions enterprise-wide. Throughout this sales cycle, we may spend considerable time and expense educating and providing information to prospective customers about the benefits of our solutions.

The timing of the deployment of our solutions may vary widely and will depend on the specific deployment plan of each customer, the complexity of the customer's organization and the difficulty of such deployment. Customers with substantial or complex organizations may deploy our solutions in large increments on a periodic basis. Accordingly, we may receive purchase orders for significant dollar amounts on an irregular and unpredictable basis. Because of our limited operating history and the nature of our business, we cannot predict the timing or size of these sales and deployment cycles. Long sales cycles, as well as our expectation that customers will tend to place large orders sporadically with short lead times, may cause our revenue and results of operations to vary significantly and unexpectedly from quarter to quarter. These variations could materially and adversely affect the market price of our common stock.

If we are unable to protect our intellectual property rights, our financial condition and results of operations could be materially and adversely affected.

We rely on a combination of patents, copyrights, trademarks, trade secrets and contractual measures to protect our intellectual property rights. Third parties may seek to challenge, invalidate, circumvent or render unenforceable any patents or proprietary rights owned by us. If such challenges are successful, our business will be materially and adversely affected.

Our employees, consultants and advisors enter into confidentiality agreements with us that prohibit the disclosure or use of our confidential information. We also have entered into confidentiality agreements to protect our confidential information delivered to third parties for research and other purposes. Despite these efforts, we cannot assure you that we will be able to effectively enforce these agreements or our confidential information will not be disclosed, that others will not independently develop substantially equivalent confidential information and techniques or otherwise gain access to our confidential information or that we can meaningfully protect our confidential information.

Disputes may arise in the future with respect to the ownership of rights to any technology developed with advisors or collaborators. These and other possible disagreements could lead to delays in the collaborative research, development or commercialization of our systems, or could require or result in costly and time-consuming litigation that may not be decided in our favor. Any such event could materially and adversely affect our financial condition and results of operations.

Policing the unauthorized use of our intellectual property is difficult, and we cannot assure you that the steps we have taken will prevent unauthorized use of our technology or other intellectual property, particularly in foreign countries where the laws may not protect our proprietary rights as fully as in the United States. Accordingly, we may not be able to protect our proprietary rights against unauthorized third party copying or use. If we are unsuccessful in protecting our intellectual property, we may lose any technological advantages we have over competitors and our financial condition and results of operations could be materially and adversely affected.

We may become involved in an intellectual property dispute that could subject us to significant liability, divert the time and attention of our management and prevent us from selling our products, any of which could materially and adversely affect our financial condition and results of operations.

In recent years, there has been significant litigation in the United States and internationally involving claims of alleged infringement of patents and other intellectual property rights. Litigation may be necessary to enforce our intellectual property rights, defend ourselves against alleged infringement and determine the scope and validity of our intellectual property rights.

Any such litigation, whether or not successful, could result in substantial costs, divert the time and attention of our management and prevent us from selling our products. If a claim of patent infringement was decided against us, we could be required to, among other things:

- pay substantial damages to the party making such claim;
- stop selling, making, having made or using products or services that incorporate the challenged intellectual property;
- obtain from the holder of the infringed intellectual property right a license to sell, make or use the relevant technology, which license may not be available on commercially reasonable terms, or at all; or
- redesign those products or services that incorporate such intellectual property.

The failure to obtain the necessary licenses or other rights could preclude the sale, manufacture or distribution of our products and could materially and adversely affect our financial condition and results of operations.

The U.S. government's right to use technology developed by us with government funds could limit our intellectual property rights.

We have developed, and may in the future develop, improvements to our technology that are funded in part by the U.S. government. As a result, we do not have the right to prohibit the U.S. government from using certain technologies developed by us with such government funds or to prohibit third parties from using those technologies to provide products and services at the request of the U.S. government. Although such government rights do not affect our ownership of the technology developed using such funds, the U.S. government has the right to royalty-free use of technologies that we have developed under such contracts. We are free to commercially exploit those government-funded technologies and may assert our intellectual property rights to seek to block other non-government users thereof, but there is no assurance we can successfully do so.

We rely on subcontractors to manufacture and deliver our products. Any quality or performance failures by our subcontractors or changes in their financial condition could disrupt our ability to supply quality products to our customers in a timely manner, resulting in business interruptions, increased costs, claims for damages, reputation damage and reduced revenue.

In order to meet the requirements under our customer contracts, we rely on subcontractors to manufacture and deliver our products to our customers. Any quality or performance failures by our subcontractors or changes in their financial or business condition could disrupt our ability to supply quality products to our customers in a timely manner. If we are unable to fulfill orders from our customers in a timely manner, we could experience business interruptions, increased costs, damage to our reputation and loss of our customers. In addition, we may be subject to claims from our customers for failing to meet our contractual obligations. Although we have several sources for production, the inability to provide our products to our customers in a timely manner could result in the loss of customers and our revenues could be materially reduced. In addition, there is great competition for the most qualified and competent subcontractors. If we are unable to hire qualified subcontractors, the quality of our services and products could decline. Furthermore, third-party manufacturers in the electronic component industry are consolidating. The consolidation of third-party manufacturers may give remaining manufacturers greater leverage to increase the prices that they charge, thereby increasing our manufacturing costs. If this were to occur and we are unable to pass the increased costs onto our customers, our profitability could be materially and adversely affected.

Our manufacturers rely on a limited number of suppliers for several significant components and raw materials used in our products. If we or our manufacturers are unable to obtain these components or raw materials on a timely basis, we will be unable to meet our customers' orders, which could reduce our revenues, subject us to claims for damages and adversely affect our relationships with our customers.

We rely on a limited number of suppliers for the components and raw materials used in our products, including Flextronics International Ltd. Although there are many suppliers for most of our component parts and raw materials, we are dependent on a limited number of suppliers for many of our significant components and raw materials. This reliance involves a number of significant risks, including:

- unavailability of materials and interruptions in delivery of components and raw materials from our suppliers, which could result in manufacturing delays; and
- fluctuations in the quality and price of components and raw materials.

We currently do not have any long-term or exclusive purchase commitments with any of our suppliers. In addition, our suppliers may enter into exclusive arrangements with our competitors, be acquired by our competitors, or stop selling their products or components to us on commercially reasonable terms or at all. We may not be able to develop alternative sources for the components and raw materials. Even if alternate suppliers are available to us or our manufacturers, identifying them is often difficult and time consuming. If we or our manufacturers are unable to obtain an ample supply of product or raw materials from our existing suppliers or alternative sources of supply, we may be unable to satisfy our customers' orders, which could reduce our revenues, subject us to claims for damages and adversely affect our relationships with our customers.

We rely significantly on channel partners to sell our products, and disruptions to, or our failure to develop and manage our channel partners would harm our business.

Recruiting and retaining qualified channel partners and training them in our technology and product offerings requires significant time and resources. In order to develop and expand our distribution channel, we must continue to scale and improve our processes and procedures that support our channel, including investment in systems and training. Those processes and procedures may become increasingly complex and difficult to manage as we grow our organization. We have no minimum purchase commitments from any of our channel partners, and our contracts with these channel partners do not prohibit them from offering products or services that compete with ours. Our competitors may provide incentives to existing and potential channel partners to favor their products or to prevent or reduce sales of our products. Our channel partners may choose not to offer our products exclusively or at all. Establishing relationships with channel partners who have a history of selling our competitors' products may also prove to be difficult. Our failure to establish and maintain successful relationships with channel partners would harm our business and operating results.

If we lose our executive officers, or are unable to recruit additional personnel, our ability to manage our business could be materially and adversely affected.

We are dependent on the continued employment and performance of our executive officers. We currently do not have employment agreements with any of our executive officers. Like other companies in our industry, we face intense competition for qualified personnel. Many of our competitors have greater resources than we have to hire qualified personnel. Accordingly, if we are not successful in attracting or retaining qualified personnel in the future, our ability to manage our business could be materially and adversely affected.

The industry in which we operate is highly competitive, and competitive pressures from existing and new companies could have a material adverse effect on our financial condition and results of operations.

The industry in which we operate is highly competitive and influenced by the following:

- advances in technology;
- new product introductions;
- evolving industry standards;
- product improvements;
- rapidly changing customer needs;
- intellectual property invention and protection;
- marketing and distribution capabilities;
- ability to attract and retain highly skilled professionals;
- competition from highly capitalized companies;
- entrance of new competitors;
- ability of customers to invest in information technology; and
- price competition.

The products marketed by us and our competitors are becoming more complex. As the technological and functional capabilities of future products increase, these products may begin to compete with products being offered by traditional computer, network and communications industry participants that have substantially greater financial, technical, marketing and manufacturing resources than we do.

Although we are not aware of any current competitors that provide the precise capabilities of our systems, we are aware of competitors that offer similar approaches to address the customer needs that our products address. Those companies include both emerging companies with limited operating histories, such as TotalTrax, Inc., and SpeedShield, a unit of Automotion Control Systems Pty. Ltd., and companies with longer operating histories, greater name recognition and/or significantly greater financial, technical and marketing resources than ours, such as Crown Equipment Corp.

In the rental fleet management market, our solutions for traditional airport-based rental fleet management compete primarily against existing handheld devices, which are used widely by vehicle rental companies. Currently, the principal handheld device providers we compete against include Motorola and Intermec which was acquired by Honeywell International Inc. Our solutions for remote, decentralized rental fleet management compete primarily with companies in the car sharing market such as Hertz, Enterprise, Zipcar and City Car Share. Large system integrators and several of the national cellular wireless providers have started to offer solutions, which package third party hardware, firmware and software, that compete with our solutions. In the markets for both types of rental fleet solutions, our competitive position is differentiated by our patented car rental system.

In the remote transportation asset management market, we compete against several established competitors, including Omnitrac, LLC, SkyBitz, Inc., and Par Technology Corporation, StarTrack Systems, LLC, and Ameriscan, Inc. which were acquired by Orbcomm Inc. and Spireon, Inc. We attempt to differentiate our solutions in this segment by offering a choice of communication mode (satellite or cellular), patented battery management technology, sensor options (door, cargo, tractor ID), and installation configurations (dry van trailers, refrigerated trailers, domestic containers, flatbed trailers, covered hopper and tanker railcars, and chassis).

If we do not keep pace with product and technology advances, including the development of superior products by our competitors, or if we are unable to otherwise compete successfully against our competitors, there could be a material adverse effect on our competitive position, revenues and prospects for growth. As a result, our financial condition and results of operations could be materially and adversely affected.

The federal government or independent standards organizations may implement significant regulations or standards that could adversely affect our ability to produce or market our products.

Our products transmit radio frequency waves, the transmission of which is governed by the rules and regulations of the FCC, as well as other federal and state agencies. Our ability to design, develop and sell our products will continue to be subject to these rules and regulations for the foreseeable future. In addition, our products and services may become subject to independent industry standards. The implementation of unfavorable regulations or industry standards, or unfavorable interpretations of existing regulations by courts or regulatory bodies, could require us to incur significant compliance costs, cause the development of the affected products to become impractical or otherwise adversely affect our ability to produce or market our products. The adoption of new industry standards applicable to our products may require us to engage in rapid product development efforts that would cause us to incur higher expenses than we anticipated. In some circumstances, we may not be able to comply with such standards, which could materially and adversely affect our ability to generate revenues through the sale of our products.

Because our products are complex, they may have undetected errors or failures when they are introduced, which could seriously harm our business, and our product liability insurance may not adequately protect us.

Technical products like ours often contain undetected errors or failures when first introduced. Despite our efforts to eliminate these flaws, there still may be errors or failures in our products, even after the commencement of commercial shipments. We provide a warranty reserve at the time of shipment, which may not be sufficient to cover actual repair costs. Because our products are used in business-critical applications, we could be subject to product liability claims if our systems fail to perform as intended. Even unsuccessful claims against us could result in costly litigation and the diversion of management's time and resources and could damage our reputation and impair the marketability of our systems. Although we maintain insurance, there are no assurances that:

- our insurance will provide adequate coverage against potential liabilities if our products cause harm or fail to perform as promised; or
- adequate product liability insurance will continue to be available to us in the future on commercially reasonable terms or at all.

If our insurance is insufficient to pay any product liability claims, our financial condition and results of operations could be materially and adversely affected. In addition, any such claims could permanently injure our reputation and customer relationships.

We may need to obtain additional capital to fund our operations that could have negative consequences on our business.

We may require additional capital in the future to develop and commercialize additional products and technologies or take advantage of other opportunities that may arise, including potential acquisitions. We may seek to raise the necessary funds through public or private equity offerings, debt financings or strategic alliances and licensing arrangements. On May 2, 2013, the SEC declared effective a shelf registration statement on Form S-3 that allows us to raise up to an aggregate of \$60.0 million from the sale of common stock, preferred stock, debt securities, subscription rights, warrants and units or any combination of the foregoing. We have not yet drawn upon this shelf registration. To the extent we raise additional capital by issuing equity securities, our existing stockholders may experience substantial dilution. In addition, we may be required to relinquish rights to our technologies or systems, or grant licenses on terms that are not favorable to us in order to raise additional funds through strategic alliance, joint venture and licensing arrangements. If adequate funds are not available, we may be required to delay, reduce the scope of or eliminate one or more of our development programs, and our business, financial condition, results of operations and stock price could be materially and adversely affected.

Our senior credit facility restricts our ability to engage in certain transactions and may impair our ability to respond to changing business and economic conditions.

On December 18, 2015, we entered into a loan and security agreement (the "Revolver") with Siena Lending Group LLC (the "Lender"), which provides a senior revolving credit facility in an aggregate principal amount of up to \$7.5 million and a maturity date of December 18, 2017 (which date may be accelerated in certain cases). As of December 31, 2015, there were no borrowings outstanding under the Revolver.

The Revolver requires us to satisfy various covenants, including financial covenants regarding liquidity and negative covenants that restrict our ability to engage in certain transactions without the consent of the Lender. These restrictions include, among other things, limitations on our ability and the ability of our subsidiaries to:

- incur additional debt;
- create liens on assets to secure debt;
- make certain investments;
- pay or declare dividends or other restricted payments;
- merge or consolidate with another company;
- transfer, sell or otherwise dispose of assets; and
- enter into transactions with affiliates.

If we do not adequately anticipate and respond to the risks inherent in growing our business internationally, our operating results and the market price of our common stock could be materially and adversely affected.

To date, we have not generated significant revenues outside of North America. As part of our growth strategy, we are seeking ways to expand our operations outside of North America by establishing offices in the United Kingdom and Germany and developing relationships with global distributors to market and sell our systems internationally. For example, as of March 15, 2016, we had six employees in Germany and four in the United Kingdom who market and sell our systems in Europe. There are a number of risks inherent in doing business in international markets, including:

- unexpected legal or regulatory changes;
- unfavorable political or economic factors;
- less developed infrastructure;
- difficulties in recruiting and retaining personnel, and managing international operations;
- fluctuations in foreign currency exchange rates;
- lack of sufficient protection for intellectual property rights; and
- potentially adverse tax consequences.

If we do not adequately anticipate and respond to the risks inherent in international operations, our operating results and the market price of our common stock could be materially and adversely affected. In addition, although we intend to expand our business outside of North America, there are risks associated with conducting an international operation, including the risks listed above, and such expansion may not be successful or have a positive effect on, and could materially and adversely affect, our financial condition and results of operations.

We provide no assurance that we will be able to successfully integrate any businesses, products, technologies or personnel that we have acquired or might acquire in the future.

We may, from time to time, continue to consider investments in or acquisitions of complementary companies, products or technologies. In the event of any future acquisitions, we could:

- issue stock that would dilute our current stockholders' percentage ownership;
- incur debt;
- assume liabilities;
- incur expenses related to the impairment of goodwill; or
- incur large and immediate write-offs.

We may not be able to identify suitable acquisition candidates, and if we do identify suitable candidates, we may not be able to make these acquisitions on acceptable terms, or at all.

Our operation of any acquired business will also involve numerous risks, including:

- problems integrating the acquired operations, personnel, technologies or products;
- unanticipated costs;
- diversion of management's time and attention from our core businesses;
- adverse effects on existing business relationships with suppliers and customers;
- risks associated with entering markets in which we have no or limited prior experience; and
- potential loss of key employees, particularly those of acquired companies.

In addition, if we make changes to our business strategy or if external conditions adversely affect our business operations, we may be required to record an impairment charge for goodwill or intangibles, which would lead to decreased assets and reduced net operating performance.

The concentration of common stock ownership among our executive officers and directors could limit the ability of other stockholders of the Company to influence the outcome of corporate transactions or other matters submitted for stockholder approval.

As of March 25, 2016, our executive officers and directors beneficially owned, in the aggregate, 11% of our outstanding common stock, not including 757,000 shares of common stock that our executive officers and directors may acquire upon the exercise of outstanding options or if they otherwise acquire additional shares of common stock in the future. As a result, our officers and directors may have the ability to influence the outcome of all corporate actions requiring stockholder approval, irrespective of how our other stockholders may vote, including the following actions:

- the election of directors;
- adoption of stock option or other equity incentive compensation plans;
- the amendment of our organizational documents; and
- the approval of certain mergers and other significant corporate transactions, including a sale of substantially all of our assets.

The unpredictability of our quarterly operating results could adversely affect the market price of our common stock.

Our revenues and operating results may vary significantly from quarter to quarter due to a number of factors, many of which are outside of our control, and any of which could adversely affect the market price of our common stock. The main factors that may affect us include the following:

- variations in the sales of our products to our significant customers;
- variations in the mix of products and services provided by us;
- the timing and completion of initial programs and larger or enterprise-wide purchases of our products by our customers;
- the length and variability of the sales cycle for our products;
- the timing and size of sales;
- changes in market and economic conditions, including fluctuations in demand for our products; and
- announcements of new products by our competitors.

As a result of these and other factors, revenues for any quarter are subject to significant variation that could adversely affect the market price for our common stock.

Future sales of our common stock, including sales of our common stock acquired upon the exercise of outstanding options, may cause the market price of our common stock to decline.

The market price of our common stock could decline as a result of sales by our existing stockholders of shares of common stock in the market, or sales of our common stock acquired upon the exercise of outstanding options, or the perception that these sales could occur. These sales also may make it more difficult for us to sell equity securities at a time and price that we deem appropriate.

We have 13,849,363 shares of common stock outstanding as of March 25, 2016, of which 12,386,291 shares are freely transferable without restriction, and 1,463,072 shares are held by our officers and directors and, as such, are subject to the applicable volume, manner of sale, holding period and other limitations of Rule 144 under the Securities Act. In addition, as of December 31, 2015, options to purchase 1,212,000 shares of our common stock were issued and outstanding, of which 904,000 were vested. The remaining options will vest ratably over a five-year period measured from the date of grant. The weighted-average exercise price of the vested stock options is \$7.40. We also may issue additional shares of stock in connection with our business, including in connection with acquisitions, and may grant additional stock options to our employees, officers, directors and consultants under our stock option plans or warrants to third parties. If a significant portion of these shares of common stock were sold in the public market, the market value of our common stock could be adversely affected.

The issuance of equity or debt securities under our shelf registration statement could have a negative impact on the price of our common stock.

We have filed a registration statement on Form S-3 that was declared effective by the SEC on May 2, 2013. This registration statement registered up to an aggregate offering price of \$60 million in debt and equity securities, including shares of our common stock, preferred stock, debt securities, subscription rights, warrants and units, or any combination of the foregoing. If we issue all of the securities included in the shelf registration statement, there could be a substantial dilutive effect on our common stock and an adverse effect on the price of our common stock.

Interest rate fluctuations may adversely affect our income and results of operations.

As of December 31, 2015, we had cash, cash equivalents and investments of \$6.4 million. In a declining interest rate environment, reinvestment typically occurs at less favorable market rates, negatively impacting future investment income. Accordingly, interest rate fluctuations may adversely affect our income and results of operations.

We provide financing to our customers for the purchase of our products, which may increase our credit risks in the event of a deterioration in a customer's financial condition or in global credit conditions.

We sell our products to a wide range of customers in the commercial and governmental sectors. We provide financing to customers for a portion of such sales which could be in the form of notes or leases receivable over two to five years. Although these customers are extended credit terms which are approved by us internally, our business could be materially and adversely affected in the event of a deterioration of the financial condition of one or more of our customers that results in such customers' inability to repay us. This risk may increase during a general economic downturn affecting a large number of our customers or a widespread deterioration in global credit conditions, and in the event our customers do not adequately manage their businesses or properly disclose their financial condition.

Our cash and cash equivalents could be adversely affected by a downturn in the financial and credit markets.

We maintain our cash and cash equivalents with major financial institutions; however, our cash and cash equivalent balances with these institutions exceed the Federal Deposit Insurance Corporation insurance limits. While we monitor on a systematic basis the cash and cash equivalent balances in our operating accounts and adjust the balances as appropriate, these balances could be impacted if one or more of the financial institutions with which we deposit our cash and cash equivalents fails or is subject to other adverse conditions in the financial or credit markets. To date, we have experienced no loss of principal or lack of access to our invested cash or cash equivalents; however, we can provide no assurance that access to our invested cash and cash equivalents will not be affected if the financial institutions in which we hold our cash and cash equivalents fail or the financial and credit markets deteriorate.

Goodwill impairment or intangible impairment charges may affect our results of operations in the future.

We test goodwill for impairment on an annual basis and more often if events occur or circumstances change that would likely reduce the fair value of a reporting unit to an amount below its carrying value. We also test for other possible acquisition intangible impairments if events occur or circumstances change that would indicate that the carrying amount of such intangible may not be recoverable. Any resulting impairment loss would be a non-cash charge and may have a material adverse impact on our results of operations in any future period in which we record a charge.

Long-lived assets with determinable useful lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Such charges could have a material adverse effect on our results of operations in the period in which they are recorded.

Declines in general economic conditions could result in decreased demand for our products and services, which would adversely affect our business, financial condition and results of operations.

Our results of operations are affected by the levels of business activities of our customers, which can be affected by economic conditions in the United States and globally. During periods of economic downturns, our customers may decrease their demand for wireless technology solutions, as well as the maintenance, support and consulting services we provide. This slowdown may have an adverse effect on the wireless solutions industry in general and on demand for our products and services, but the magnitude of that impact is uncertain. Our future growth is dependent, in part, upon the demand for our products and services. Prolonged weakness in the economy may cause business enterprises to delay or cancel wireless solutions projects, reduce their overall wireless solutions budgets and/or reduce or cancel orders for our services. This, in turn, may lead to longer sales cycles, delays in purchase decisions, and payment and collection issues, and may also result in price pressures, causing us to realize lower revenues and operating margins. Additionally, if our customers cancel or delay their wireless solutions initiatives, our business, financial condition and results of operations could be materially and adversely affected.

Provisions of Delaware law or our charter documents could delay or prevent an acquisition of the Company, even if the acquisition would be beneficial to our stockholders, and could make it more difficult for our stockholders to change the Company's management.

Section 203 of the Delaware General Corporation Law prohibits us from engaging in a business combination with any of our interested stockholders for three years after such stockholder became an interested stockholder unless certain specified conditions are met. As a result, these provisions and Delaware law could limit the price that investors are willing to pay in the future for shares of our common stock.

In addition, provisions of our certificate of incorporation and bylaws may discourage, delay or prevent a merger, acquisition or other change in control that stockholders may consider favorable, including transactions in which stockholders might otherwise receive a premium for their shares. This is because these provisions may prevent or frustrate attempts by stockholders to replace or remove our current management or members of our Board of Directors. These provisions, among other things:

- permit our Board of Directors to issue, without further action by our stockholders, up to 5,000,000 shares of preferred stock, with any rights, preferences and privileges as they may designate, including the right to approve an acquisition or other change in control;
- provide that special meetings of stockholders may be called only by (i) our Board of Directors pursuant to a resolution adopted by a majority of the entire Board of Directors, either upon motion of a director or upon written request by the holders of at least 50% of the voting power of all the shares of our capital stock entitled to vote in the election of directors, voting as a single class, or (ii) our Chairman of the Board or our President; and
- require the affirmative vote of at least 75% of the voting power of all the shares of our capital stock entitled to vote in the election of directors, voting as a single class, to amend or repeal the provisions outlined above dealing with meetings of stockholders.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our executive and I.D. Systems administrative offices are located in Woodcliff Lake, New Jersey. In May 2010, we entered into a lease for this facility, consisting of approximately 21,400 square feet, which expires on February 28, 2021. The rent is approximately \$37,000 per month.

Our Asset Intelligence administrative offices are located in Plano, Texas. In April 2015, we entered into a lease for this facility, consisting of approximately 11,482 square feet, which expires February 28, 2021. The rent is approximately \$22,000 per month.

We believe that our existing facilities are adequate for our existing needs.

Item 3. Legal Proceedings

In the ordinary course of its business, the Company is at times subject to various legal proceedings. The Company is not currently a party to any material legal proceedings.

Item 4. Mine Safety Disclosures

Not applicable.

PART II.

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information.

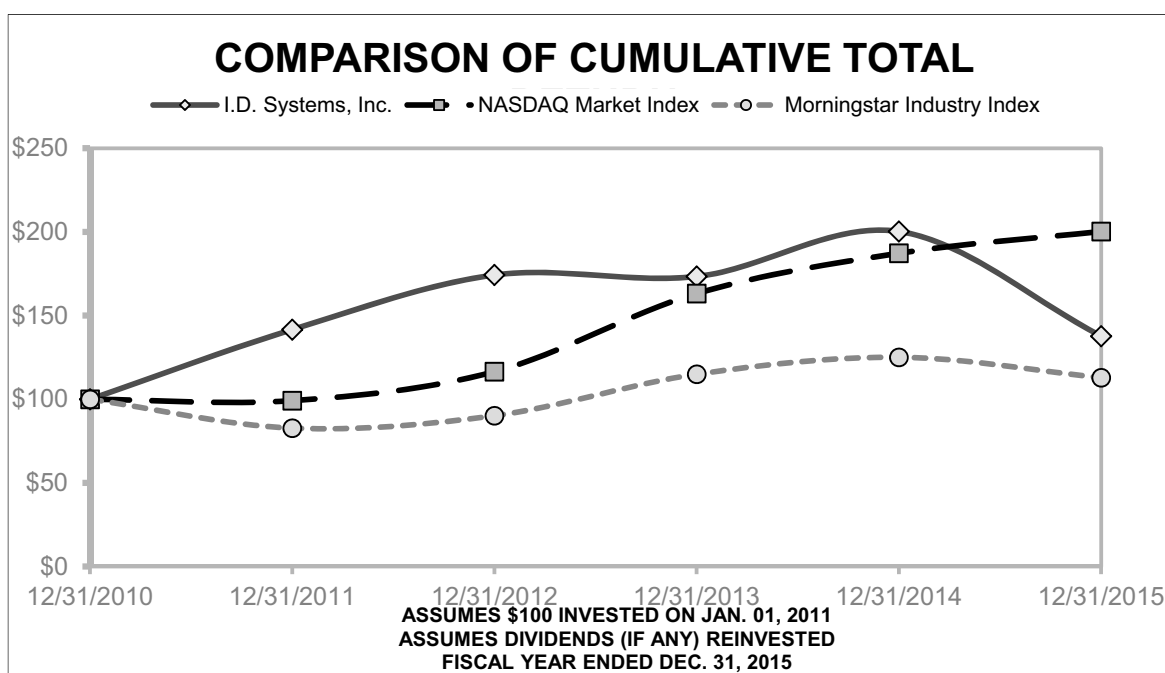
Our common stock is traded on the NASDAQ Global Market under the symbol “IDSY.” The following table sets forth the high and low sales price for our common stock on the NASDAQ Global Market for each fiscal quarter during the years ended December 31, 2015 and 2014.

Quarter Ended	High	Low
2015		
March 31, 2015	\$ 7.48	\$ 5.84
June 30, 2015	7.25	5.87
September 30, 2015	6.52	3.07
December 31, 2015	4.70	3.01
2014		
March 31, 2014	\$ 6.79	\$ 5.53
June 30, 2014	6.09	3.88
September 30, 2014	7.76	4.89
December 31, 2014	7.88	5.89

Performance Graph.

The following graph shows a five-year comparison of cumulative total shareholder return for (i) the Company, (ii) the NASDAQ Market Index, and (iii) the Morningstar Communication Equipment Index (the “Morningstar Index”).

The graph assumes that \$100 was invested in each of the Company’s common stock, the NASDAQ Market Index and the Morningstar Index on December 31, 2010, and that any dividends were reinvested. Data points on the graph are annual. Note that historic stock price performance is not necessarily indicative of future stock price performance. The following graph and related information shall not be deemed “soliciting material” or to be “filed” with the SEC, nor shall such information be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that we specifically incorporate it by reference into such filing.



COMPANY/INDEX/MARKET	Fiscal Year Ended					
	12/31/2010	12/31/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2015
I.D. Systems, Inc.....	100.00	141.62	174.25	173.35	200.30	137.72
NASDAQ Market Index	100.00	99.17	116.48	163.21	187.27	200.31
Morningstar Industry Index ⁽¹⁾	100.00	82.74	90.15	114.96	125.07	112.91

- (1) Morningstar, Inc. reconstituted the Morningstar Communication Equipment Index in the second half of 2010. As a result of such reconstitution, historical returns have been recalculated to reflect the updated composition of that industry index.

Prepared by Zacks Investment Research, Inc.
 Index Data: Copyright NASDAQ OMX, Inc. Copyright Morningstar, Inc.

Holders.

As of March 25, 2016, there were 18 holders of record of our common stock.

Dividends.

We have never paid a cash dividend on our common stock and do not expect to pay a cash dividend in the near future. We currently intend to retain future earnings, if any, to finance our operations and expand our business. Any future determination to pay cash dividends will be at the discretion of our Board of Directors and will depend upon our financial condition, operating results, capital requirements and any other factors our Board of Directors deems relevant. In addition, our senior credit facility (described in Item 7 of Part II of this Annual Report on Form 10-K under the caption “Capital Requirements”) restricts our ability to pay dividends.

Sales of Unregistered Securities.

None.

Purchases of Equity Securities by the Issuer.

On November 4, 2010, the Company announced that its Board of Directors authorized the repurchase of issued and outstanding shares of the Company’s common stock having an aggregate value of up to \$3,000,000 pursuant to a share repurchase program. The repurchases under the share repurchase program are made from time to time in the open market or in privately negotiated transactions and are funded from the Company’s working capital. The amount and timing of such repurchases is dependent upon the price and availability of shares, general market conditions and the availability of cash, as determined at the discretion of the Company’s management. All shares of common stock repurchased under the Company’s share repurchase program are held as treasury stock (until such time, if ever, that they are re-issued by the Company). The share repurchase program does not have an expiration date, and the Company may discontinue or suspend the share repurchase program at any time.

The following table provides information regarding our common stock repurchases under our publicly announced share repurchase program and shares withheld for taxes due upon vesting of restricted stock for each month of the quarterly period ended December 31, 2015. As the table indicates, the Company did not make any share repurchases during the quarterly period ended December 31, 2015.

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
October 1, 2015 - October 31, 2015	-	\$ -	-	\$ 1,660,000
November 1, 2015 - November 30, 2015	-	-	-	1,660,000
December 1, 2015 - December 31, 2015	-	-	-	1,660,000
Total	-	\$ -	-	\$ 1,660,000

In addition, on May 3, 2007, the Company previously had announced that its Board of Directors had authorized the repurchase of issued and outstanding shares of our common stock having an aggregate value of up to \$10,000,000 pursuant to a share repurchase program (the “2007 Repurchase Program”). The 2007 Repurchase Program was terminated by the Board of Directors in March 2012. Prior to such termination, the Company had purchased approximately 1,075,000 shares of its common stock in open market transactions under the 2007 Repurchase Program for an aggregate purchase price of approximately \$9,970,000, or an average cost of \$9.27 per share. The repurchases were funded from the Company’s working capital, and the amount and timing of such repurchases depended upon the price and availability of shares, general market conditions and the availability of cash, as determined at the discretion of our management.

Item 6. Selected Financial Data

The following table sets forth selected financial data for each of the five years ended December 31, 2015 derived from our audited financial statements. You should read the information in the table below together with the section of this Annual Report on Form 10-K entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations," which discusses the 2013, 2014 and 2015 fiscal years, and our financial statements and related notes and the other financial data included elsewhere in this Annual Report on Form 10-K.

	Year Ended December 31,				
	2011	2012	2013	2014	2015
Statement of Operations Data:					
Revenues.....	\$39,292,000	\$44,635,000	\$39,946,000	\$ 45,633,000	\$ 41,784,000
Cost of revenues	<u>18,723,000</u>	<u>21,705,000</u>	<u>22,036,000</u>	<u>25,627,000</u>	<u>24,761,000</u>
Gross profit.....	20,569,000	22,930,000	17,910,000	20,006,000	17,023,000
Operating expenses:					
Selling, general and administrative expenses.....	21,995,000	22,409,000	21,769,000	25,094,000	22,750,000
Research and development expenses	3,534,000	4,341,000	4,389,000	6,649,000	4,556,000
Loss on settlement of finance receivable..				<u>441,000</u>	<u>-</u>
Loss from operations	(4,960,000)	(3,820,000)	(8,248,000)	(12,178,000)	(10,283,000)
Interest income.....	243,000	507,000	635,000	595,000	360,000
Interest expense	-	-	-	(29,000)	(18,000)
Other income (loss), net.....	<u>287,000</u>	<u>59,000</u>	<u>51,000</u>	<u>37,000</u>	<u>(11,000)</u>
Net loss before income taxes	(4,430,000)	(3,254,000)	(7,562,000)	(11,575,000)	(9,952,000)
Income tax benefit - sale of NJ net operating losses.....	<u>390,000</u>	<u>662,000</u>	<u>63,000</u>	<u>-</u>	<u>-</u>
Net loss	<u>\$ (4,040,000)</u>	<u>\$ (2,592,000)</u>	<u>\$ (7,499,000)</u>	<u>\$ (11,575,000)</u>	<u>\$ (9,952,000)</u>
Net loss per share - basic and diluted.....	<u>\$ (0.36)</u>	<u>\$ (0.22)</u>	<u>\$ (0.63)</u>	<u>\$ (0.96)</u>	<u>\$ (0.79)</u>
Weighted average common shares outstanding - basic and diluted					
	11,162,000	11,744,000	11,912,000	12,098,000	12,614,000
Balance Sheet Data (at end of period):					
Cash and cash equivalents	\$ 8,686,000	\$ 1,914,000	\$ 6,882,000	\$ 6,277,000	\$ 4,793,000
Investments.....	16,683,000	13,858,000	7,190,000	7,315,000	1,598,000
Total assets	62,831,000	60,566,000	55,515,000	52,486,000	44,428,000
Long term debt.....	-	-	293,000	149,000	-
Total stockholders' equity	45,600,000	44,027,000	37,449,000	27,255,000	20,570,000

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

The following discussion is intended to assist you in understanding our financial condition and results of operations and should be read in conjunction with the financial statements and related notes included elsewhere in this Annual Report on Form 10-K. Many of the amounts and percentages in this section have been rounded for convenience of presentation, but actual recorded amounts have been used in computations. Accordingly, some information may appear not to compute accurately.

Overview

I.D. Systems, Inc. (“IDS”, and together with its subsidiaries, “I.D. Systems,” the “Company,” “we,” “our,” or “us”) develops, markets and sells wireless machine-to-machine (“M2M”) solutions for managing and securing high-value enterprise assets. These assets include industrial vehicles, such as forklifts and airport ground support equipment; rental vehicles; and transportation assets, such as dry van trailers, refrigerated trailers, railcars and containers. Our patented wireless asset management systems utilize radio frequency identification (RFID), Wi-Fi, satellite or cellular communications, and sensor technology to address the needs of organizations to control, track, monitor and analyze their assets. Our solutions enable our customers to achieve tangible economic benefits by making timely, informed decisions that increase the security, productivity and efficiency of their operations.

We have focused our business activities on three primary applications: (i) industrial fleet management, (ii) transportation asset management, and (iii) rental fleet management. Our solution for industrial fleet management allows our customers to reduce operating costs and capital expenditures and to comply with certain safety regulations by accurately and reliably measuring and controlling fleet activity. This solution also enhances security at industrial facilities and areas of critical infrastructure, such as airports, by controlling access to, and restricting the use of, vehicles and equipment. Our solution for transportation asset management allows our customers to increase revenue per asset deployed, reduce fleet size, and improve the monitoring and control of sensitive cargo. Our solution for rental fleet management allows rental car companies to generate higher revenue by more accurately tracking vehicle data, such as fuel consumption and odometer readings, and improve customer service by expediting the rental and return processes. In addition, our wireless solution for “carsharing” enables rental car companies to establish a network of vehicles positioned strategically around cities for use by their members, control vehicles remotely, manage member reservations by phone or Internet, and charge members for vehicle use by the hour.

We sell our system to both executive and division-level management. Typically, our initial system deployment serves as a basis for potential expansion across the customer’s organization. We work closely with customers to help maximize the utilization and benefits of our system and demonstrate the value of enterprise-wide deployments. Post-implementation, we consult with our customers to further extend and customize the benefits to the enterprise by delivering enhanced analytics capabilities.

We market and sell our solutions to a wide range of customers in the commercial and government sectors. Our customers operate in diverse markets, such as automotive manufacturing, heavy industry, retail and wholesale distribution, transportation, aerospace and defense, homeland security, and vehicle rental.

We have incurred net losses of approximately \$7.5 million, \$11.6 million and \$10.0 million for the years ended December 31, 2013, 2014 and 2015, respectively, and have incurred additional net losses since inception. As of December 31, 2015, we had cash, cash equivalents and marketable securities of \$6.4 million, working capital of \$14.1 million, an accumulated deficit of \$85.1 million and no debt outstanding. Our primary sources of cash are cash flows from operating activities and the Company’s holdings of cash, cash equivalents and investments. We have a revolving credit facility of up to \$7.5 million of which we did not draw any amounts through December 31, 2015. To date, the Company has not generated sufficient revenue solely from operating activities to fund our operations.

During the year ended December 31, 2015, we generated revenues of \$41.8 million with Wal-Mart Stores, Inc. accounting for 23% of our revenues. During the year ended December 31, 2014, we generated revenues of \$45.6 million with Wal-Mart Stores, Inc. and the Raymond Corporation accounting for 16% and 14%, respectively, of our revenues. During the year ended December 31, 2013, we generated revenues of \$39.9 million with Wal-Mart Stores, Inc. and the Raymond Corporation accounting for 18% and 10%, respectively, of our revenues.

In 2015, we improved our next generation vehicle management system on-vehicle platform, improved our product line of over-the-road asset management solutions and developed a next-generation rental vehicle management system as described below:

- we expect our fourth-generation of on-asset hardware for industrial vehicles, the VAC4, to provide benefits to both the Company (primarily through lower costs, easier installation, easier integration with our hosted service offering, and expanded functional capabilities) and end users (including a simpler, universal interface with all vehicle types, reduced installation time, compatibility with a wider range of driver ID cards, a larger display for vehicle operators, and enhancements to the content and style of the information displayed);
- we expect our next generation of VeriWise intermodal container tracking systems to help our customers maximize container fleet utilization and minimize container idle time by providing more accurate visibility of loading/unloading events and generating real-time data on load status throughout the shipment cycle;

- we expect our next generation of VeriWise intermodal chassis tracking systems to help our customers accurately bill for chassis rental and usage, and minimize chassis idle time by providing more accurate visibility of container loading/unloading events and by generating real-time data throughout the shipment cycle;
- we expect our next generation of VeriWise cellular trailer tracking systems to provide our customers with a lower-cost option for dry van trailer tracking when satellite communication is not required; and
- we expect our next generation of RentalFleet system to provide a more ubiquitous vehicle rental management solution to satisfy the needs of both car rental companies and shared vehicle fleets.

During the first quarter of 2014, we implemented a new growth strategy. Accordingly, we launched an initiative called 'I.D. Systems 2.0', which included: a detailed review of customer requirements to accelerate enterprise adoption of our solutions; a transformation of our implementation approach to create more scalable and higher-quality processes in support of multiple simultaneous customer rollouts; a Six Sigma analysis of our internal process controls and quality management aimed at continuous improvement; and an acceleration of the engineering projects already on our product roadmap to help expedite revenue growth. We have budgeted approximately \$2.5 million in support of I.D. Systems 2.0 initiatives, the majority of which were substantially completed by the end of 2014. For the year ended December 31, 2014, we incurred approximately \$1.8 million of expense in support of I.D. Systems 2.0. Examples of projects completed under the initiative are described below:

- We launched our fourth-generation on-vehicle device, the VAC4, in 2014.
- We launched three new transportation asset management products, the GSM-D400, an intermodal container tracking system, the GSM-D150, an intermodal chassis tracking device, and the GSM-D300, a dry van management system with an advanced cargo sensor, which enables customers to perform full-function asset monitoring with either satellite or cellular communications.
- We improved the enterprise analysis and data drill-down capabilities of our Analytics platform for multi-site, multi-region customers.
- We introduced new processes to reduce lead-time for on-site customer installation support.
- We launched a suite of new computer-based training tools to improve customer access to both initial and ongoing system training, while streamlining utilization of the company's training resources.

On March 21, 2014, we entered into a Separation and General Release Agreement (the "Separation Agreement") with our former Chief Executive Officer (the "Former CEO"). Under the terms of the Separation Agreement, the vesting of the Former CEO's unvested stock options and restricted stock were accelerated and the term to exercise the stock options was extended to fifteen (15) months. Due to the modification of the terms of the stock option and restricted stock agreements, the Company recognized \$327,000 of additional stock-based compensation expense in the first quarter of 2014 which is included in the stock option and restricted stock stock-based compensation expense.

In December 2013, as part of a strategic review and in response to the then expected engineering releases of our new products and/or new components, the Company evaluated its product life cycle expectations as it related to inventory on hand as of December 31, 2013. With the then expected release of the Company's next generation vehicle management systems vehicle platform, the VAC4, and expansion of the Company's product line of over-the-road asset management solutions, the Company made the strategic decision to discontinue offering the Powerkey and prior models of the satellite intermodal and rail product lines for sale to new customers in 2014. As a result of the strategic review of its products line, the Company recorded a \$2,066,000 inventory reserve in December 2013.

We are highly dependent upon sales of our system to a few customers. The loss of any of these key customers, or any material reduction in the amount of our products they purchase during a particular period, could materially and adversely affect our revenues for such period. Conversely, a material increase in the amount of our products purchased by a key customer (or customers) during a particular period could result in a significant increase in our revenues for such period, and such increased revenues may not recur in subsequent periods. Some of these key customers, as well as other customers of the Company, operate in markets that have suffered business downturns in the past few years or may so suffer in the future, particularly in light of the current global economic downturn, and any material adverse change in the financial condition of such customers could materially and adversely affect our financial condition and results of operations. If we are unable to replace such revenue from existing or new customers, the market price of our common stock could decline significantly.

We expect that many customers who utilize our solutions will do so as part of a large-scale deployment of these solutions across multiple or all divisions of their organizations. A customer's decision to deploy our solutions throughout its organization will involve a significant commitment of its resources. Accordingly, initial implementations may precede any decision to deploy our solutions enterprise-wide. Throughout this sales cycle, we may spend considerable time and expense educating and providing information to prospective customers about the benefits of our solutions.

The timing of the deployment of our solutions may vary widely and will depend on the specific deployment plan of each customer, the complexity of the customer's organization and the difficulty of such deployment. Customers with substantial or complex organizations may deploy our solutions in large increments on a periodic basis. Accordingly, we may receive purchase orders for significant dollar amounts on an irregular and unpredictable basis. Because of our limited operating history and the nature of our business, we cannot predict the timing or size of these sales and deployment cycles. Long sales cycles, as well as our expectation that customers will tend to place large orders sporadically with short lead times, may cause our revenues and results of operations to vary significantly and unexpectedly from quarter to quarter.

Our ability to increase our revenues and generate net income will depend on a number of factors, including our ability to:

- increase sales of products and services to our existing customers;
- convert our initial programs into larger or enterprise-wide purchases by our customers;
- increase market acceptance and penetration of our products; and
- develop and commercialize new products and technologies.

Critical Accounting Policies and Estimates

We have adopted various accounting policies that govern the application of accounting principles generally accepted in the United States in the preparation of our financial statements. Our significant accounting policies are described in Note 2 to our consolidated financial statements included in this Annual Report on Form 10-K. Certain accounting policies involve significant judgments and assumptions by our management that can have a material impact on the carrying value of certain assets and liabilities. We consider such accounting policies to be our critical accounting policies. The judgments and assumptions used by our management in these critical accounting policies are based on historical experience and other factors that our management believes to be reasonable under the circumstances. Because of the nature of these judgments and assumptions, actual results could differ significantly from these judgments and estimates, which could have a material impact on the carrying values of our assets and liabilities and our results of operations. Our critical accounting policies are described below.

Revenue Recognition

We derive revenue from: (i) sales of our industrial and rental fleet wireless asset management systems and services, which includes training and technical support; (ii) sales of our transportation asset management systems and spare parts sold to customers (for which title transfers on the date of customer receipt) and from the related communication services under contracts that generally provide for service over periods ranging from one to five years; (iii) post-contract maintenance and support agreements; and (iv) periodically, from leasing arrangements.

Our industrial and rental fleet wireless asset management systems consist of on-asset hardware, communication infrastructure, software, and hosting infrastructure. Revenue derived from the sale of our industrial and rental fleet wireless asset management systems is allocated to each element based upon vendor specific objective evidence (VSOE) of the fair value of the element. VSOE of the fair value is based upon the price charged when the element is sold separately. Revenue is recognized as each element is earned based on the selling price of each element based upon VSOE, and when there are no undelivered elements that are essential to the functionality of the delivered elements. The Company's system is typically implemented by the customer or a third party and, as a result, revenue is recognized when title and risk of loss passes to the customer, which usually is upon delivery of the system, persuasive evidence of an arrangement exists, sales price is fixed and determinable, collectability is reasonably assured and contractual obligations have been satisfied. In some instances, we are also responsible for providing installation services. The installation services, which could be performed by third parties, are considered another element in a multi-element deliverable and revenue for installation services is recognized at the time the installation is provided. Training and technical support revenue are recognized at time of performance.

We recognize revenues from the sale of remote transportation asset management systems and spare parts when persuasive evidence of an arrangement exists, delivery has occurred, the price is fixed or determinable, and collectability is reasonably assured. These criteria include requirements that the delivery of future products or services under the arrangement is not required for the delivered items to serve their intended purpose. The Company has determined that the revenue derived from the sale of transportation asset management systems does not have stand-alone value to the customer separate from the communication services provided and, therefore, the arrangements constitute a single unit of accounting. Under the applicable accounting guidance, all of the Company's billings for equipment and the related cost are deferred, recorded, and classified as a current and long-term liability and a current and long-term asset, respectively. Deferred revenue and cost are recognized over the service contract life, beginning at the time that a customer acknowledges acceptance of the equipment and service. The customer service contracts typically range from one to five years.

The service revenue for our remote asset monitoring equipment relates to charges for monthly messaging usage and value-added features charges. The usage fee is a monthly fixed charge based on the expected utilization according to the rate plan chosen by the customer. Service revenue generally commences upon equipment installation and customer acceptance, and is recognized over the period such services are provided.

Spare parts sales are reflected in product revenues and recognized on the date of customer receipt of the part. Revenue from remote asset monitoring equipment activation fees are deferred and amortized over the life of the contract.

We also enter into post-contract maintenance and support agreements for our wireless asset management systems. Revenue is recognized over the service period and the cost of providing these services is expensed as incurred. Deferred revenue also includes prepayment of extended maintenance and support contracts.

Under certain customer contracts, we invoice progress billings once certain milestones are met. The milestone terms vary by customer and can include the receipt of the customer purchase order, delivery, installation and launch. As the systems are delivered, and services are performed, and all of the criteria for revenue recognition are satisfied, we recognize revenue. If the amount of revenue recognized for financial reporting purposes is greater than the amount invoiced, an unbilled receivable is recorded. If the amount invoiced is greater than the amount of revenue recognized for financial reporting purposes, deferred revenue is recorded.

Financing Receivables

Notes receivable relate to interest-bearing product financing arrangements that exceed one year and are recorded at face value. Interest income is recognized over the life of the note. Amounts collected on notes receivable are included in net cash provided by operating activities in the consolidated statements of cash flows. Unearned income is amortized to interest income over the life of the notes using the effective-interest method.

We also derive revenue under leasing arrangements. The arrangements provide for monthly payments covering the system sale, maintenance, support and interest. These arrangements meet the criteria to be accounted for as sales-type leases. Accordingly, an asset is established for the "sales-type lease receivable" at the present value of the future minimum lease payments. Revenue is deferred and recognized over the service contract, as described above. Maintenance revenue is recognized monthly over the lease term. Interest income is recognized monthly over the lease term using the effective-interest method.

The allowance for uncollectable minimum lease payments represents our best estimate of the amount of credit losses in the existing notes and sales-type lease receivable. The allowance is determined on an individual note and lease basis if it is probable that the Company will not collect all principal and interest contractually due. We consider our customers' financial condition and historical payment patterns in determining the customers' probability of default. The impairment is measured based on the present value of expected future cash flows discounted at the note's effective interest rate. There were no impairment losses recognized for the years ended December 31, 2013, 2014 and 2015. We do not accrue interest when a note or lease is considered impaired. When the ultimate collectability of the principal balance of the impaired note or lease is in doubt, all cash receipts on impaired notes or leases are applied to reduce the principal amount of such notes/leases until the principal has been recovered and are recognized as interest income thereafter. Impairment losses are charged against the allowance and increases in the allowance are charged to bad debt expense. Notes and leases are written off against the allowance when all possible means of collection have been exhausted and the potential for recovery is considered remote. We resume accrual of interest when it is probable that we will collect the remaining principal and interest of an impaired note/lease. Notes and leases become past due based on how recently payments have been received.

Inventory

Inventory, which primarily consists of finished goods and components used in the Company's products, is stated at the lower of cost or market using the first-in first-out (FIFO) method.

Inventory valuation reserves are established in order to report inventories at the lower of cost or market value in the consolidated balance sheet. The determination of inventory valuation reserves requires management to make estimates and judgments on the future salability of inventories. Valuation reserves for obsolete and slow-moving inventory are estimated based on assumptions of future sales forecasts, product life cycle expectations, the impact of new product introductions, production requirements, and specific identification of items, such as product discontinuance or engineering/material changes and by comparing the inventory levels to historical usage rates.

Stock-Based Compensation

We account for stock-based employee compensation for all share-based payments, including grants of stock options, as an operating expense, based on their fair values on the grant date. The Company recorded stock-based compensation expense of \$1,118,000, \$1,334,000 and \$1,609,000 for the years ended December 31, 2013, 2014 and 2015, respectively.

We estimate the fair value of share-based payment awards on the grant date using an option pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service period in our consolidated statement of operations. We estimate forfeitures at the time of grant in order to estimate the amount of share-based awards that will ultimately vest. The estimate is based on our historical rates of forfeitures. Estimated forfeitures are revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

Long-lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the assets to the future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets and would be charged to earnings.

Goodwill and Other Intangible Assets

Goodwill represents costs in excess of fair values assigned to the underlying net assets of acquired businesses. Goodwill and intangible assets deemed to have indefinite lives are not amortized. Intangible assets are amortized over their estimated useful lives unless the lives are determined to be indefinite. Intangible assets are carried at cost, less accumulated amortization and impairment charges. Intangible assets consist of trademarks and trade names, patents, customer relationships and other intangible assets. We test goodwill and other intangible assets annually, or when a triggering event occurs between annual impairment tests, to determine if impairment exists and if the use of indefinite lives is currently applicable.

Product Warranties

We provide a one-year warranty on our products. Estimated future warranty costs are accrued in the period that the related revenue is recognized. These estimates are derived from historical data and trends of product reliability and costs of repairing and replacing defective products.

Income taxes

We use the asset and liability method of accounting for deferred income taxes. Deferred income taxes are measured by applying enacted statutory rates to net operating loss carryforwards and to the differences between the financial reporting and tax bases of assets and liabilities. Deferred tax assets are reduced, if necessary, by a valuation allowance if it is more likely than not that some portion or all of the deferred tax assets will not be realized. At December 31, 2014 and 2015, we had a valuation allowance on all of our deferred tax assets.

Fair Value Measurements

In determining fair value of financial instruments, we utilize a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The following is a brief description of those levels:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities.

- Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.
- Level 3: Unobservable inputs that reflect the reporting entity's estimates of market participant assumptions.

Results of Operations

The following table sets forth certain items related to our statement of operations as a percentage of revenues for the periods indicated and should be read in conjunction with our consolidated financial statements and the related notes included elsewhere in this Annual Report on Form 10-K. A detailed discussion of the material changes in our operating results is set forth below.

	Year Ended December 31,		
	2013	2014	2015
Revenues:			
Products	57.9%	62.2%	58.7%
Services.....	42.1	37.8	41.3
	100.0	100.0	100.0
Cost of revenues:			
Cost of products.....	39.8	42.6	43.1
Cost of services.....	15.3	13.5	16.1
Total gross profit.....	44.9	43.9	40.8
Selling, general and administrative expenses	54.5	55.0	54.4
Research and development expenses.....	11.0	14.6	10.9
Loss on settlement of finance receivable		1.0	-
Loss from operations	(20.6)	(26.7)	(24.5)
Interest income.....	1.6	1.2	0.8
Other income (loss), net.....	0.1	0.1	-
Loss before income taxes.....	(18.9)	(25.4)	(23.7)
Income tax benefit - sale of NJ net operating losses.....	0.2	-	-
Net loss	(18.7)%	(25.4)%	(23.7)%

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

The following table sets forth our revenues by product line for the periods indicated:

	Year Ended December 31,	
	2014	2015
Product revenue:		
Industrial and rental fleet management.....	\$ 20,374,000	\$ 13,201,000
Transportation asset management.....	8,029,000	11,330,000
	28,403,000	24,531,000
Services revenue:		
Industrial and rental fleet management.....	6,520,000	7,372,000
Transportation asset management.....	10,710,000	9,881,000
	17,230,000	17,253,000
	\$ 45,633,000	\$ 41,784,000

REVENUES. Revenues decreased by approximately \$3.8 million, 8.4%, to \$41.8 million in 2015 from \$45.6 million in 2014. The decrease in revenue is attributable to decrease in total industrial and rental fleet management revenue of approximately \$6.3 million to \$20.6 million in 2015 from \$26.9 million in 2014 partially offset by an increase in total transportation asset management revenue of approximately \$2.5 million to \$21.2 million in 2015 from \$18.7 million in 2014.

Revenues from products decreased by approximately \$3.9 million, or 13.6%, to \$24.5 million in 2015 from \$28.4 million in 2014. Industrial and rental fleet management product revenue decreased by approximately \$7.2 million to \$13.2 million in 2015 from \$20.4 million in 2014. The decrease in industrial and rental fleet management product revenue resulted principally from decreased product sales of approximately \$3.2 million to the Raymond Corporation, \$0.8 million to the U.S. Postal Service \$0.4 million to Ford Motor Company, \$0.4 million to Procter & Gamble and \$0.4 million to General Motors Company. Transportation asset management product revenue increased by approximately \$3.3 million to \$11.3 million in 2015 from \$8.0 million in 2014. The increase in transportation asset management product revenue resulted principally from increased product revenue of approximately \$0.5 million to U.S. Trailer Holdings LLC, \$0.5 million to Ashley Distribution Services, Ltd. and spare parts sales of approximately \$2.0 million to Wal-Mart Stores, Inc.

Revenues from services of \$17.3 million in 2015 remained generally consistent with 2014 revenues of \$17.2 million. Industrial and rental fleet management service revenue increased by approximately \$0.9 million to \$7.4 million in 2015 from \$6.5 million in 2014, principally due to an increase in revenue of approximately \$0.7 million from Avis Budget, Inc. from a new development project. Transportation asset management service revenue decreased by approximately \$0.8 million to \$9.9 million in 2015 from \$10.7 million in 2014. The decrease in transportation asset management service revenue resulted principally from a decrease in the revenue per active unit.

The following table sets forth our cost of revenues by product line for the periods indicated:

	Year Ended December 31,	
	2014	2015
Cost of products:		
Industrial and rental fleet management.....	\$ 12,861,000	\$ 8,889,000
Transportation asset management.....	6,597,000	9,129,000
	<u>19,458,000</u>	<u>18,018,000</u>
Cost of services:		
Industrial and rental fleet management.....	2,970,000	3,675,000
Transportation asset management.....	3,199,000	3,068,000
	<u>6,169,000</u>	<u>6,743,000</u>
	<u>\$ 25,627,000</u>	<u>\$ 24,761,000</u>

COST OF REVENUES. Cost of revenues decreased by approximately \$0.9 million, or 3.4%, to \$24.8 million in 2015 from \$25.6 million for the same period in 2014. The decrease is principally attributable to a decrease in cost of products partially offset by an increase in cost of services in 2015. Gross profit was \$17.0 million in 2015 compared to \$20.0 million for the same period in 2014. As a percentage of revenues, gross profit decreased to 40.7% in 2015 from 43.8% in 2014.

Cost of products decreased by approximately \$1.4 million, or 7.4%, to \$18.0 million in 2015 from \$19.5 million in the same period in 2014. Gross profit for products was \$6.5 million in 2015 compared to \$8.9 million in 2014. The decrease in gross profit was attributable to a decrease of approximately \$3.2 million in the industrial and rental fleet management gross profit to \$4.3 million in 2015 from \$7.5 million in 2014. The transportation asset management gross profit increased approximately \$0.8 million to \$2.2 million in 2015 from \$1.4 in 2014. As a percentage of product revenues, gross profit decreased to 26.6% in 2015 from 31.5% in 2014. The decrease in gross profit as a percentage of product revenue was due to a decrease in the industrial and rental fleet management gross profit percentage to 32.7% in 2015 from 36.9% in 2014, which was principally due to an increase in the number of units sold with lower unit product margins, which was principally due to the Company's transition to a new pricing model for VMS, that emphasizes multi-year service contracts and lower upfront hardware revenue and start-up costs for initial production of the Company's new generation of VMS devices. The transportation asset management product revenue gross profit percentage increased to 19.4% in 2015 from 17.8% in 2014, which was principally due to a decrease in warranty expense, partially offset by lower gross margin on spare parts sales.

Cost of services increased by approximately \$0.6 million, or 9.3%, to \$6.7 million in 2015 from \$6.2 million in 2014. Gross profit for services was \$10.5 million in 2015 compared to \$11.1 million in 2014. The transportation asset management gross profit decreased by approximately \$0.7 million to \$6.8 million in 2015 from \$7.5 million in 2014. The industrial and rental fleet management gross profit increased approximately \$0.1 million to \$3.7 million in 2015 from \$3.6 million in 2014. As a percentage of service revenues, gross profit decreased to 60.9% in 2015 from 64.2% in 2014. The decrease in gross profit as a percentage of service revenue was principally due to a decrease in the industrial and rental fleet management gross profit percentage to 50.1% in 2015 from 54.4% in 2014 and a decrease in the transportation asset management gross profit percentage to 69.0% in 2015 from 70.1% in 2014. The decrease in the industrial and rental fleet management gross profit margin was principally due to an increase in installation expenses. The decrease in transportation asset management gross profit margin was principally due to an increase in communication expenses.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses decreased by approximately \$2.3 million, or 9.3%, to \$22.8 million in 2015 compared to \$25.1 million in the same period in 2014. The decrease was principally due to a decrease of approximate \$1.1 million in expenses related to the Company's executive management change that was incurred in 2014, a decrease of approximate \$1.5 million in intangibles amortization expense as some intangible assets became fully amortized, a decrease of approximately \$0.5 million in bad debt expense reserve from improved collections, partially offset by an increase of approximately \$0.5 million in stock-based compensation expense which was due to grants of restricted stock, \$0.3 million in severance costs from the reduction in work force, and \$0.3 million increase in professional fees, which was principally from an unconsummated strategic initiative. As a percentage of revenues, selling, general and administrative expenses decreased to 54.4% in 2015 from 55.0% in the same period in 2014, primarily due to the decrease in expenses noted above partially offset by the decrease in revenue in 2015 in comparison to 2014.

RESEARCH AND DEVELOPMENT EXPENSES. Research and development expenses decreased by approximately \$2.1 million, or 31.5%, to \$4.6 million in 2015 compared to \$6.6 million in the same period in 2014 primarily from a reduction of product development expenses incurred in 2014 as a result of our I.D. Systems 2.0 initiative. As a percentage of revenues, research and development expenses decreased to 10.9% in 2015 from 14.6% in the same period in 2014, primarily due to the decrease in expenses noted above partially offset by the decrease in revenue in 2015 in comparison to 2014.

INTEREST INCOME. Interest income decreased by \$224,000, or 39.6%, to \$342,000 in 2015 from \$566,000 in the same period in 2014 principally due to a decrease in interest income from financing receivables from the early settlement of a finance receivable.

NET LOSS. Net loss was \$10.0 million, or \$(0.79) per basic and diluted share, for 2015 as compared to net loss of 11.6 million, or \$(0.96) per basic and diluted share, for the same period in 2014. The increase in the net loss was due primarily to the reasons described above.

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

The following table sets forth our revenues by product line for the periods indicated:

	Year Ended December 31,	
	2013	2014
Product revenue:		
Industrial and rental fleet management.....	\$ 16,751,000	\$ 20,374,000
Transportation asset management.....	6,389,000	8,029,000
	<u>23,140,000</u>	<u>28,403,000</u>
Services revenue:		
Industrial and rental fleet management.....	5,338,000	6,520,000
Transportation asset management.....	11,468,000	10,710,000
	<u>16,806,000</u>	<u>17,230,000</u>
	<u>\$ 39,946,000</u>	<u>\$ 45,633,000</u>

REVENUES. Revenues increased by approximately \$5.7 million, or 14.2%, to \$45.6 million in 2014 from \$39.9 million in 2013. The increase in revenue is principally attributable to an increase in total industrial and rental fleet management revenue of approximately \$4.8 million to \$26.9 million in 2014 from \$22.1 million in 2013 and an increase in transportation asset management revenue increase of approximately \$0.9 million to \$18.7 million in 2014 from \$17.9 million in 2013.

Revenues from products increased by approximately \$5.3 million, or 22.7%, to \$28.4 million in 2014 from \$23.1 million in 2013. Industrial and rental fleet management product revenue increased by approximately \$3.6 million to \$20.4 million in 2014 from \$16.8 million in 2013. Transportation asset management product revenue increased by approximately \$1.6 million to \$8.0 million in 2014 from \$6.4 million in 2013. The increase in industrial and rental fleet management product revenue resulted principally from increased product sales of approximately \$2.1 million to the Raymond Corporation, \$0.7 million to the U.S. Postal Service and \$0.6 million to Procter & Gamble (China) Sales Co., Ltd. The increase in transportation asset management product revenue resulted principally from increased spare parts sales to Wal-Mart Stores, Inc.

Revenues from services increased by approximately \$0.4 million, or 2.5%, to \$17.2 million in 2014 from \$16.8 million in 2013. Industrial and rental fleet management service revenue increased by approximately \$1.2 million to \$6.5 million in 2014 from \$5.3 million in 2013 principally due to an increase in revenue of approximately \$0.4 million the Raymond Corporation and \$0.3 million to the U.S. Postal Service. Transportation asset management service revenue decreased approximately \$0.8 million to \$10.7 million in 2014 from \$11.5 million in 2013 principally due to a decrease in the revenue per active unit.

The following table sets forth our cost of revenues by product line for the periods indicated:

	Year Ended December 31,	
	2013	2014
Cost of products:		
Industrial and rental fleet management.....	\$ 10,068,000	\$ 12,861,000
Transportation asset management.....	5,846,000	6,597,000
	<u>15,914,000</u>	<u>19,458,000</u>
Cost of services:		
Industrial and rental fleet management.....	2,695,000	2,970,000
Transportation asset management.....	3,427,000	3,199,000
	<u>6,122,000</u>	<u>6,169,000</u>
	<u>\$ 22,036,000</u>	<u>\$ 25,627,000</u>

COST OF REVENUES. Cost of revenues increased by approximately \$3.6 million, or 16.3%, to \$25.6 million in 2014 from \$22.0 million in 2013. The increase is principally attributable to an increase in product revenue in 2014 and approximately \$0.4 million increase in warranty expense partially offset by approximately \$2.0 million decrease in the inventory reserve charge. Gross profit was approximately \$20.0 million in 2014 compared to \$17.9 million in 2013. As a percentage of revenues, gross profit was 43.8% in 2014 compared to 44.8% in 2013.

Cost of products increased by approximately \$3.6 million, or 22.3%, to \$19.5 million in 2014 from \$15.9 million in 2013. Gross profit for products was approximately \$8.9 million in 2014 compared to \$7.2 million in 2013. The industrial and rental fleet management gross profit increased by approximately \$0.8 million to \$7.5 million in 2014 from \$6.7 million in 2013. The transportation asset management gross profit increased by approximately \$0.9 million to \$1.4 million in 2014 from \$0.5 million in 2013. As a percentage of product revenues, gross profit of approximately 31.5% in 2014 remained generally consistent with the gross profit of 31.2% in 2013. The industrial and rental fleet management gross profit percentage decreased to 36.9% in 2014 from 39.9% in 2013, principally due to an increase in revenue from our channel partners which have a lower gross margin partially offset by a \$0.9 million decrease in the inventory reserve charge. Transportation asset management gross profit percentage increased to approximately 17.8% in 2014 from 8.5% in 2013, principally due to a \$1.0 million decrease in the inventory reserve charge partially offset by an increase of approximately \$0.4 million in warranty expense principally from a customer extended warranty incentive and lower gross margin on spare parts sales.

Cost of services of approximately \$6.2 million in 2014 remained generally consistent with the cost of services of \$6.1 million in 2013. Gross profit for services was approximately \$11.1 million in 2014 compared to \$10.7 million in 2013. The industrial and rental fleet management gross profit increased by approximately \$1.0 million to \$3.6 million in 2014 from \$2.6 million in 2013. The transportation asset management gross profit decreased by approximately \$0.5 million to \$7.5 million in 2014 from \$8.0 million in 2013. As a percentage of service revenues, gross profit increased to approximately 64.2% in 2014 from 63.6% in 2013. The industrial and rental fleet management gross profit percentage increased to approximately 54.4% in 2014 from 49.5% in 2013 principally due to a reduction in rental fleet contractor expenses. The transportation asset management gross profit percentage of 70.1% in 2014 remained generally consistent with the gross profit percentage in 2013.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses increased by approximately \$3.3 million, or 15.3%, to \$25.1 million in 2014 compared to \$21.8 million in 2013. The increase was due primarily to approximately \$1.1 million in expenses related to the Company's executive management change in March 2014 and a \$1.5 million increase in incentive compensation due to the increase in revenue. As a percentage of revenues, selling, general and administrative expenses increased to 55.0% in 2014 from 54.5% in 2013, primarily due to the increase in the expenses noted above.

RESEARCH AND DEVELOPMENT EXPENSES. Research and development expenses increased approximately \$2.3 million, or 51.5%, to \$6.6 million in 2014 from \$4.4 million in 2013, primarily due to product development expenses incurred under our I.D. Systems 2.0 initiative to accelerate the development of our next generation vehicle and transportation asset management systems. As a percentage of revenues, research and development expenses increased to 14.6% in 2014 from 11.0% in 2013, primarily due to the increase in the expenses noted above.

INTEREST INCOME, NET. Net Interest income decreased by approximately \$69,000, or 10.9%, to \$566,000 in 2014 from \$635,000 in 2013 principally from the early settlement of a finance receivable and an increase in interest expense from the capital lease obligation.

NET LOSS. Net loss was \$11.6 million, or \$(0.96) per basic and diluted share, for 2014 as compared to net loss of \$7.5 million, or \$(0.63) per basic and diluted share, for 2013. The decrease in the net loss was due primarily to the reasons described above.

Liquidity and Capital Resources

Historically, our capital requirements have been funded primarily from the net proceeds from the issuance of our securities, including any issuances of our common stock upon the exercise of options. As of December 31, 2015, we had cash, cash equivalents and marketable securities of \$6.4 million and working capital of \$14.1 million, compared to cash, cash equivalents and marketable securities of \$13.6 million and working capital of \$19.4 million as of December 31, 2014.

On April 1, 2013, the Company filed a shelf registration statement on Form S-3 with the SEC. Pursuant to the registration statement, which was declared effective by the SEC on May 2, 2013, the Company may offer to the public from time to time, in one or more offerings, up to \$60 million of its securities, which may include common stock, preferred stock, debt securities, subscription rights, warrants and units, or any combination of the foregoing, at prices and on terms to be determined at the time of any offering. The specific terms of any future offering will be determined at the time of the offering and described in a prospectus supplement that will be filed with the SEC in connection with such offering.

On September 30, 2013, the Company entered into an equipment lease for computer equipment. The lease is payable in 24 monthly installments of approximately \$14,000, including interest at an annual rate of 12.82%. The term of the lease commenced in December 2013 and expired in December 2015.

Capital Requirements

As of December 31, 2015, we had cash, cash equivalents and marketable securities of \$6.4 million, working capital of \$14.1 million and no debt outstanding. The Company's primary sources of cash are cash flows from operating activities and the Company's holdings of cash, cash equivalents and investments. To date, the Company has not generated sufficient revenue solely from operating activities to fund its operations.

In July 2015, we reduced our headcount by approximately 20%. With the expected cost savings from the decrease in headcount, expected collections on existing accounts receivable and refocused go-to market strategy focusing on large enterprise customers aimed at increasing sales and reducing inventory, we believe that with the cash and investments on hand and proceeds from the revolving credit facility, we will have sufficient funds available to cover our capital requirements for at least the next 12 months.

On December 18, 2015 (the "Closing Date"), I.D. Systems, Inc. ("I.D. Systems"), and its wholly-owned subsidiary, Asset Intelligence, LLC ("Asset Intelligence") (collectively, the "Loan Parties"), entered into a loan and security agreement (the "Revolver") with Siena Lending Group LLC. As of December 31, 2015, there were no borrowings outstanding under the Revolver.

The Revolver provides a revolving credit facility in an aggregate principal amount of up to \$7.5 million and a maturity date of December 18, 2017 (which date may be accelerated in certain cases). Outstanding indebtedness under the Revolver may be voluntarily prepaid at any time, in whole or in part, subject to payment of an early termination premium equal to (i) 3% of the amount of such prepayment if prepayment occurs on or before December 18, 2016, or (ii) 1.5% of the amount of such prepayment if prepayment occurs after December 18, 2016 but on or before June 18, 2017, but no early termination premium is payable if prepayment occur after June 18, 2017. In addition, no early termination premium is payable if the Revolver is refinanced with Bank of America, N.A. I.D. Systems intends to use borrowings under the Revolver for a variety of purposes, including working capital and general corporate purposes.

The Company has an available borrowing base subject to reserves established at the lender's discretion of 85% of Eligible Accounts (as defined in the Revolver) and 75% of Eligible Lease Receivables (as defined in the Revolver) up to \$7.5 million under the Revolver. Eligible Accounts and Eligible Lease Receivables do not include certain receivables deemed ineligible by the lender.

Borrowings under the Revolver bear interest at a rate equal to the sum of 2.00% per annum plus the base rate as it is defined in the loan and security agreement governing the Revolver (the greater of (i) Prime Rate (ii) Federal Funds Rate plus 0.5%, or (iii) 3.25%). In addition, the Company is charged an unused line fee equal to 0.50% per annum on unused amounts of the revolving credit facility and a minimum borrowing fee equal to the excess, if any, of (i) interest which would have been payable in respect of each month if, at all time during such month, the principal balance of the Revolving Loans (as defined in the Revolver) was equal to \$2,000,000 over (ii) the actual interest payable in respect of such month on the Revolving Loans.

The Loan Parties guarantee the payment obligations under the Revolver. Any borrowings are further secured by (i) certain equity interests owned or held by the Loan Parties and 65% of the voting stock of all present and future foreign subsidiaries of the Loan Parties and (ii) substantially all of the tangible and intangible personal property and assets of the Loan Parties.

The Revolver contains a financial covenant regarding liquidity which requires the Loan Parties to maintain a minimum liquidity of (a) \$3,500,000 from the Closing Date through and including January 31, 2016 and (b) \$4,000,000 on February 1, 2016 or at any time thereafter. The Revolver also includes customary affirmative and negative covenants for credit facilities of this type, including limitations on our indebtedness, liens, investments, restricted payments, mergers and acquisitions, dispositions of assets, transactions with affiliates, ability to amend our organizational documents. Any failure to comply with such covenants could lead to an acceleration of our obligations under the Revolver.

Our capital requirements depend on a variety of factors, including, but not limited to, the length of the sales cycle, the rate of increase or decrease in our existing business base, the success, timing, and amount of investment required to bring new products to market, revenue growth or decline and potential acquisitions. Failure to generate positive cash flow from operations will have a material adverse effect on our business, financial condition and results of operations.

Operating Activities

Net cash used in operating activities was \$6.9 million for the year ended December 31, 2015, compared to net cash used in operating activities of \$0.3 million for the same period in 2014, which included proceeds of \$5.4 million from the early settlement of a finance receivable. The net cash used in operating activities for the year ended December 31, 2015 reflects a net loss of \$10.0 million and includes non-cash charges of \$1.6 million for stock-based compensation, \$0.7 million for depreciation and amortization expense and \$0.3 million for bad debt expense. Changes in working capital items included:

- a decrease in accounts receivable of \$3.4 million;
- an increase in inventory of \$1.1 million;
- an increase in deferred costs of \$1.2 million;
- a decrease in accounts payable of \$1.2 million; and
- a decrease in financing receivables of \$0.9 million.

Net cash used in operating activities was \$0.3 million for the year ended December 31, 2014, compared to net cash used in operating activities of \$1.1 million for the year ended December 31, 2013. The net cash used in operating activities for the year ended December 31, 2013 reflects a net loss of \$11.6 million and includes non-cash charges of \$1.3 million for stock-based compensation, \$2.2 million for depreciation and amortization expense and \$0.9 million for bad debt reserve. Changes in working capital items included:

- Proceeds of \$5.4 million from the early settlement of a finance receivable
- an increase in accounts receivable of \$6.3 million;
- a decrease in finance receivables of \$2.5 million;
- an increase in inventory of \$1.2 million;
- an increase in deferred revenue of \$3.5 million; and
- an increase in accounts payable and accrued expenses of \$3.7 million, principally due to an increase of \$1.2 million in accrued incentive compensation and the timing of payments to our vendors.

Investing Activities

Net cash provided by investing activities was \$3.5 million for the year ended December 31, 2015, compared to net cash used in investing activities of \$0.6 million for the same period in 2014. The change from the same period in 2014 was primarily due to an increase in net proceeds from the sale and maturities of investments of \$5.9 million, partially offset by an increase in expenditures for fixed assets and website development costs of \$1.8 million in 2015.

Net cash used investing activities was \$0.6 million for the year ended December 31, 2014, compared to net cash provided by investing activities of \$6.0 million for the year ended December 31, 2013. The change from the same period in 2013 was primarily due to a decrease in net redemption of investments of approximately \$6.6 million.

Financing Activities

Net cash provided by financing activities was \$1.9 million for the year ended December 31, 2015, compared to net cash provided by financing activities of \$0.3 million for the same period in 2014. The change from the same period in 2014 was primarily due to an increase in proceeds from the exercise of stock options of \$1.5 million in 2015.

Net cash provided by financing activities was \$0.3 million for the year ended December 31, 2014, compared to net cash provided by financing activities of \$0.2 million for the same period in 2013. The change from net cash provided by financing activities in 2013 was primarily due to proceeds from exercise of stock options of approximately \$0.3 million in 2014.

Contractual Obligations and Commitments

The following table summarizes our significant contractual obligations and commitments as of December 31, 2015:

	Payment due by Period				
	Total	Less than one year	1 to 3 years	3 to 5 years	After 5 Years
Operating leases.....	\$ 4,469,000	\$ 790,000	\$ 2,636,000	\$ 1,043,000	\$ -

Purchase orders or contracts for the purchase of raw materials and other goods and services are not included in the table above. We are not able to determine the aggregate amount of such purchase orders that represent contractual obligations, as purchase orders may represent authorizations to purchase rather than binding agreements. Although we have entered into contracts for services, the obligations under these contracts were not significant and the contracts generally contain clauses allowing for cancellation without significant penalty.

The expected timing or payment of obligations discussed above is estimated based on current information. Timing of payments and actual amounts paid may be different depending on changes to agreed upon amounts for some obligations.

Inflation

We believe our operations have not been and, in the foreseeable future, will not be, materially and adversely affected by inflation or changing prices.

Business Acquisitions

In addition to focusing on our core applications, we adapt our systems to meet our customers' broader asset management needs and seek opportunities to expand our solution offerings through strategic acquisitions. In 2009, for example, we acquired Didbox Ltd., a privately held, United Kingdom-based manufacturer and marketer of vehicle operator identification systems, which provides us with a wider range of industrial vehicle management solutions and expands our base of operations in Europe.

On January 7, 2010, we entered into a Membership Interest Purchase Agreement (the "Purchase Agreement") with General Electric Capital Corporation ("GECC") and GE Asset Intelligence, LLC ("GEAI"), pursuant to which we acquired GEAI's telematics business (the "GEAI Business") through the purchase of 100% of the membership interests of Asset Intelligence, LLC ("AI"), a newly formed, wholly owned subsidiary of GEAI into which substantially all of the assets, including intellectual property, and liabilities of the GEAI Business had been transferred immediately prior to the closing. Effective with the closing of the transaction, AI became our wholly owned subsidiary. In connection with the transaction, AI offered employment to all of the former employees of the GEAI Business. The AI business complements our existing businesses, as AI's focus on trucking, rail, marine and intermodal applications significantly expands the scope of assets addressed by our product solutions. The web and mobile communications technologies of AI also complement I.D. Systems' portfolio of wireless asset management patents. The acquisition has provided us with access to a broader base of customers.

AI combines web-based software technologies with satellite and cellular communications to deliver data-driven telematics solutions for supply chain asset management. These solutions help secure and optimize the performance of trailers, railcars, containers, and the freight they carry, enabling shippers and carriers to maximize security and efficiency throughout their supply chains.

AI's VeriWise product platform provides comprehensive real-time data for faster, more informed decision-making in multiple supply chain applications:

- Asset Optimization – combining web-based asset visibility and advanced telemetry data to monitor the condition of fleet assets, streamline asset deployment, optimize utilization, and maximize return on investment.
- Cold Chain Management – maintaining the condition and quality of temperature-sensitive cargo from point A to point B, and all the points in between.
- Fleet Maintenance – utilizing sensor technologies, real-time data and a wealth of transportation maintenance knowledge to help control maintenance costs, improve preventative maintenance practices, increase asset up-time, extend asset life, and reduce overall cost of ownership.
- Fuel Management – monitoring key factors in fuel consumption, such as tire pressure and engine idle time, to help optimize fuel performance and reduce transportation costs.
- Security & Safety – protecting valuable assets and cargo throughout the supply chain.

Under the terms of the Purchase Agreement, we paid consideration of \$15 million in cash at closing. In addition, we would have been required to pay additional cash consideration of up to \$2 million on or about February 2011, contingent upon the number of new units of telematics equipment sold or subject to a binding order to be sold by AI during the year ending December 31, 2010. However, the applicable units targets were not achieved and therefore none of the additional contingent consideration was paid.

We incurred acquisition-related expenses of approximately \$1,355,000, of which \$1,241,000 are included in selling, general and administrative expenses in 2009 and \$114,000 in 2010.

We accounted for the AI transaction under the acquisition method of accounting and recorded at the assets and liabilities of the acquired business at their estimated fair values at the date of acquisition. We originally recorded in the preliminary purchase price allocation \$1,017,000 of contingent consideration based on the estimated number of new units of telematics equipment to be sold in 2010. The fair value of the contingent consideration was estimated using a probability-weighted calculation of the number of new units of telematics equipment expected to be sold in 2010. The contingent consideration was reversed during the second quarter of 2010 based on revised forecasts which indicated AI would not meet the required number of new unit sales during the measurement period in order for the contingent consideration to become payable. The following table summarizes the final allocation of the AI purchase price to the assets acquired and liabilities assumed at the date of acquisition:

Current assets, excluding inventory	\$	4,709,000
Inventory		5,236,000
Other assets, net		3,218,000
Current liabilities		(5,746,000)
Intangibles		6,365,000
Goodwill		1,218,000
		<hr/>
Fair value of assets acquired	\$	<u>15,000,000</u>

The results of operations of AI have been included in the consolidated statement of operations as of the effective date of the acquisition.

The goodwill arising from the acquisition consists largely of the synergies and cost reductions through economies of scale expected and realized from combining the operations of the Company and AI. The goodwill is expected to be fully deductible for tax purposes.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

Recently Issued Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-02, “Leases” (Topic 842), which requires lessees to recognize the following for all leases (with the exception of short-term leases) at the commencement date: a lease liability, which is a lessee’s obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset, which is an asset that represents the lessee’s right to use, or control the use of, a specified asset for the lease term. The revised guidance must be applied on a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The revised guidance is effective for the Company beginning in the quarter ending March 31, 2019. The Company is currently evaluating the impact of this ASU on the consolidated financial statements.

In April 2015, the FASB issued ASU No. 2015-05 “Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Fees Paid in a Cloud Computing Arrangement” which provides guidance on determining whether a cloud computing arrangement contains a software license that should be accounted for as internal-use software by the customer. If a cloud computing arrangement does not contain a software license, it should be accounted for as a service contract by the customer. This guidance is effective for fiscal years beginning after December 15, 2015 and for interim periods within those fiscal years, with early adoption permitted. The Company is currently evaluating the impact of this ASU on the consolidated financial statements.

In July 2015, the FASB issued ASU No. 2015-11 “Inventory (Topic 330): Simplifying the Measurement of Inventory” which requires entities to measure most inventory “at the lower of cost and net realizable value (“NRV”),” thereby simplifying the current guidance under which an entity must measure inventory at the lower of cost or market. Under the new guidance, inventory is “measured at the lower of cost and net realizable value,” which eliminates the need to determine replacement cost and evaluate whether it is above the ceiling (NRV) or below the floor (NRV less a normal profit margin). The guidance defines NRV as the “estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation.” The guidance is effective for annual periods beginning after December 15, 2016, and interim periods therein. Early application is permitted. The Company is currently evaluating the impact of this ASU on the consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, “Revenue from Contracts with Customers” (Topic 606). This ASU is intended to clarify the principles for recognizing revenue by removing inconsistencies and weaknesses in revenue requirements; providing a more robust framework for addressing revenue issues; improving comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets; and providing more useful information to users of financial statements through improved revenue disclosure requirements. The new standard is required to be applied retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying it recognized at the date of initial application. In July 2015, the FASB approved a deferral of the ASU effective date from annual and interim periods beginning after December 15, 2016 to annual and interim periods beginning after December 15, 2017, while allowing for early adoption for fiscal periods after December 15, 2016. The Company is currently evaluating the impact of this ASU on the consolidated financial statements.

In June 2014, the FASB issued ASU No. 2014-12, "Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period." This ASU requires a reporting entity to treat a performance target that affects vesting and that could be achieved after the requisite service period as a performance condition, and apply existing guidance under the Stock Compensation Topic of the ASC as it relates to awards with performance conditions that affect vesting to account for such awards. The provisions of this ASU are effective for interim and annual periods beginning after December 15, 2015. The Company is currently evaluating the impact of this ASU on the consolidated financial statements.

In August 2014, the FASB issued ASU No. 2014-15, "Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern" ("ASU 2014-15"), to provide guidance on management's responsibility to evaluate whether there is substantial doubt about a company's ability to continue as a going concern within one year after the date that the financial statements are issued. ASU 2014-15 also provides guidance for related footnote disclosures. ASU 2014-15 is effective for the Company beginning on January 1, 2016 with early adoption permitted. The Company does not believe the impact of its pending adoption of this ASU on the Company's consolidated financial statements will be material.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We are subject to market risks in the form of changes in corporate income tax rates, which risks are currently immaterial to us.

We also are subject to market risk from changes in interest rates which could affect our future results of operations and financial condition. We manage our exposure to these risks through our regular operating and financing activities. We also are subject to market risks from changes in equity prices of equity securities we hold in our investment portfolio, which risks currently are immaterial to us. As of December 31, 2015, we had cash, cash equivalents and investments of \$6.4 million.

As of December 31, 2015, the carrying value of our cash and cash equivalents approximated fair value. In a declining interest rate environment, as short-term investments mature, reinvestment occurs at less favorable market rates, negatively impacting future investment income. We maintain our cash and cash equivalents with major financial institutions; however, our cash and cash equivalent balances with these institutions exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits. While we monitor on a systematic basis the cash and cash equivalent balances in our operating accounts and adjust the balances as appropriate, these balances could be impacted if one or more of the financial institutions with which we deposit our cash and cash equivalents fails or is subject to other adverse conditions in the financial or credit markets. To date, we have experienced no loss of principal or lack of access to our invested cash or cash equivalents; however, we can provide no assurance that access to our invested cash and cash equivalents will not be affected if the financial institutions in which we hold our cash and cash equivalents fail or the financial and credit markets deteriorate.

Item 8. Financial Statements and Supplementary Data

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
I.D. Systems, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheets of I.D. Systems, Inc. and subsidiaries (the "Company") as of December 31, 2014 and 2015, and the related consolidated statements of operations, comprehensive loss, changes in stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 2015. The financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of I.D. Systems, Inc. and subsidiaries as of December 31, 2014 and 2015, and the consolidated results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2015, in conformity with accounting principles generally accepted in the United States of America.

In connection with our audits of the consolidated financial statements referred to above, we also audited Schedule II - Valuation and Qualifying Accounts for each of the years in the three-year period ended December 31, 2015. In our opinion, this financial schedule, when considered in relation to the consolidated financial statements, taken as a whole, presents fairly, in all material respects, the information stated therein.

/s/ EisnerAmper LLP

Iselin, New Jersey

March 29, 2016

I.D. SYSTEMS, INC. AND SUBSIDIARIES
Consolidated Balance Sheets

	As of December 31,	
	<u>2014</u>	<u>2015</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 5,974,000	\$ 4,489,000
Restricted cash	303,000	304,000
Investments - short term	3,249,000	259,000
Accounts receivable, net of allowance for doubtful accounts of \$1,434,000 and \$1,512,000 in 2014 and 2015, respectively	14,783,000	10,901,000
Financing receivables - current, net of allowance for doubtful accounts of \$-0- in 2014 and 2015	1,898,000	1,950,000
Inventory, net.....	6,252,000	7,152,000
Deferred costs - current.....	2,183,000	3,310,000
Prepaid expenses and other current assets	<u>1,767,000</u>	<u>2,263,000</u>
Total current assets	36,409,000	30,628,000
Investments - long term	4,066,000	1,339,000
Financing receivables - less current portion	4,072,000	3,078,000
Deferred costs - less current portion	3,281,000	3,320,000
Fixed assets, net	1,520,000	3,119,000
Goodwill	1,837,000	1,837,000
Intangible assets, net.....	977,000	842,000
Other assets.....	<u>324,000</u>	<u>265,000</u>
	<u>\$ 52,486,000</u>	<u>\$ 44,428,000</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	\$ 10,102,000	\$ 9,173,000
Capital lease obligation - current	149,000	-
Deferred revenue - current	<u>6,742,000</u>	<u>7,383,000</u>
Total current liabilities	16,993,000	16,556,000
Deferred rent.....	309,000	361,000
Deferred revenue - less current portion.....	<u>7,929,000</u>	<u>6,941,000</u>
	<u>25,231,000</u>	<u>23,858,000</u>
Commitments and Contingencies (Note 20)		
STOCKHOLDERS' EQUITY		
Preferred stock; authorized 5,000,000 shares, \$0.01 par value; none issued	-	-
Common stock; authorized 50,000,000 shares, \$0.01 par value; 13,476,000 and 14,211,000 shares issued at December 31, 2014 and 2015, respectively; shares outstanding, 12,812,000 and 13,467,000 at December 31, 2014 and 2015, respectively	124,000	129,000
Additional paid-in capital	106,272,000	110,116,000
Accumulated deficit.....	(75,176,000)	(85,128,000)
Accumulated other comprehensive loss.....	(375,000)	(500,000)
Treasury stock; 664,000 and 744,000 common shares at cost at December 31, 2014 and 2015 , respectively	<u>(3,590,000)</u>	<u>(4,047,000)</u>
Total stockholders' equity.....	<u>27,255,000</u>	<u>20,570,000</u>
Total liabilities and stockholders' equity	<u>\$ 52,486,000</u>	<u>\$ 44,428,000</u>

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

I.D. SYSTEMS, INC. AND SUBSIDIARIES
Consolidated Statements of Operations

	Year Ended December 31,		
	2013	2014	2015
Revenues:			
Products	\$ 23,140,000	\$ 28,403,000	\$ 24,531,000
Services.....	<u>16,806,000</u>	<u>17,230,000</u>	<u>17,253,000</u>
	<u>39,946,000</u>	<u>45,633,000</u>	<u>41,784,000</u>
Cost of Revenues:			
Cost of products.....	15,914,000	19,458,000	18,018,000
Cost of services.....	<u>6,122,000</u>	<u>6,169,000</u>	<u>6,743,000</u>
	<u>22,036,000</u>	<u>25,627,000</u>	<u>24,761,000</u>
Gross Profit.....	<u>17,910,000</u>	<u>20,006,000</u>	<u>17,023,000</u>
Operating expenses:			
Selling, general and administrative expenses.....	21,769,000	25,094,000	22,750,000
Research and development expenses	4,389,000	6,649,000	4,556,000
Loss on settlement of finance receivable	<u>-</u>	<u>441,000</u>	<u>-</u>
	<u>26,158,000</u>	<u>32,184,000</u>	<u>27,306,000</u>
Loss from operations	(8,248,000)	(12,178,000)	(10,283,000)
Interest income, net.....	635,000	566,000	342,000
Other income (expense), net	<u>51,000</u>	<u>37,000</u>	<u>(11,000)</u>
Net loss before income taxes	(7,562,000)	(11,575,000)	(9,952,000)
Income tax benefit - sale of NJ net operating losses.....	<u>63,000</u>	<u>-</u>	<u>-</u>
Net loss	<u>\$ (7,499,000)</u>	<u>\$ (11,575,000)</u>	<u>\$ (9,952,000)</u>
Net loss per share - basic and diluted.....	<u>\$ (0.63)</u>	<u>\$ (0.96)</u>	<u>\$ (0.79)</u>
Weighted average common shares outstanding - basic and diluted	<u>11,912,000</u>	<u>12,098,000</u>	<u>12,614,000</u>

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

I.D. SYSTEMS, INC. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Loss

	Year Ended December 31,		
	<u>2013</u>	<u>2014</u>	<u>2015</u>
Net loss	\$ (7,499,000)	\$ (11,575,000)	\$ (9,952,000)
Other comprehensive income (loss), net:			
Unrealized loss on investments.....	(55,000)	(13,000)	(28,000)
Reclassification of net realized investment (gains) losses included in net loss	(27,000)	7,000	43,000
Foreign currency translation adjustment.....	<u>(77,000)</u>	<u>(263,000)</u>	<u>(140,000)</u>
Total other comprehensive income (loss)	<u>(159,000)</u>	<u>(269,000)</u>	<u>(125,000)</u>
Comprehensive loss	<u>\$ (7,658,000)</u>	<u>\$ (11,844,000)</u>	<u>\$ (10,077,000)</u>

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

I.D. SYSTEMS, INC. AND SUBSIDIARIES
Consolidated Statements of Changes in Stockholders' Equity

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive (Loss) Income	Treasury Stock	Stockholders' Equity
	Number of Shares	Amount					
Balance at January 1, 2013.....	12,678,000	\$ 122,000	\$103,135,000	\$(56,102,000)	\$ 53,000	\$(3,181,000)	\$ 44,027,000
Net loss	-	-	-	(7,499,000)	-	-	(7,499,000)
Foreign currency translation adjustment.....	-	-	-	-	(77,000)	-	(77,000)
Unrealized loss on investments.....	-	-	-	-	(82,000)	-	(82,000)
Shares issued pursuant to exercise of stock options	67,000	1,000	226,000	-	-	-	227,000
Shares withheld pursuant to exercise of stock options and restricted stock.....	-	-	-	-	-	(265,000)	(265,000)
Issuance of restricted stock	101,000	-	-	-	-	-	-
Forfeiture of restricted shares.....	(11,000)	-	-	-	-	-	-
Stock based compensation - restricted stock.....	-	-	527,000	-	-	-	527,000
Stock based compensation - options and performance shares	-	-	591,000	-	-	-	591,000
Balance at December 31, 2013.....	12,835,000	\$ 123,000	\$104,479,000	\$(63,601,000)	\$ (106,000)	\$(3,446,000)	\$ 37,449,000
Net loss	-	-	-	(11,575,000)	-	-	(11,575,000)
Foreign currency translation adjustment.....	-	-	-	-	(263,000)	-	(263,000)
Unrealized loss on investments.....	-	-	-	-	(6,000)	-	(6,000)
Shares issued pursuant to exercise of stock options	126,000	1,000	459,000	-	-	-	460,000
Issuance of restricted stock	608,000	-	-	-	-	-	-
Forfeiture of restricted shares.....	(93,000)	-	-	-	-	-	-
Shares withheld pursuant to exercise of stock options and restricted stock.....	-	-	-	-	-	(144,000)	(144,000)
Stock based compensation - restricted stock.....	-	-	787,000	-	-	-	787,000
Stock based compensation - options and performance shares	-	-	547,000	-	-	-	547,000
Balance at December 31, 2014.....	13,476,000	\$ 124,000	\$106,272,000	\$(75,176,000)	\$ (375,000)	\$(3,590,000)	\$ 27,255,000
Net loss	-	-	-	(9,952,000)	-	-	(9,952,000)
Foreign currency translation adjustment.....	-	-	-	-	(140,000)	-	(140,000)
Unrealized loss on investments.....	-	-	-	-	15,000	-	15,000
Shares issued pursuant to exercise of stock options	568,000	5,000	2,235,000	-	-	-	2,240,000
Issuance of restricted stock	232,000	-	-	-	-	-	-
Forfeiture of restricted shares.....	(65,000)	-	-	-	-	-	-
Shares withheld pursuant to exercise of stock options and restricted stock.....	-	-	-	-	-	(457,000)	(457,000)
Stock based compensation - restricted stock.....	-	-	1,325,000	-	-	-	1,325,000
Stock based compensation - options and performance shares	-	-	284,000	-	-	-	284,000
Balance at December 31, 2015.....	14,211,000	\$ 129,000	\$110,116,000	\$(85,128,000)	\$ (500,000)	\$(4,047,000)	\$ 20,570,000

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

I.D. SYSTEMS, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows

	Year Ended December 31,		
	2013	2014	2015
Cash flows from operating activities:			
Net loss	\$ (7,499,000)	\$ (11,575,000)	\$ (9,952,000)
Adjustments to reconcile net loss to cash used in operating activities:			
Inventory reserve	2,066,000	122,000	186,000
Stock based compensation	1,118,000	1,334,000	1,609,000
Depreciation and amortization	2,171,000	2,216,000	718,000
Bad debt reserve	482,000	853,000	326,000
Loss on settlement of finance receivable	-	441,000	-
Deferred income taxes	(63,000)	-	-
Proceeds from sale of New Jersey net operating loss carryforward	662,000	63,000	-
Other non-cash items	(13,000)	18,000	106,000
Changes in:			
Restricted cash	-	(3,000)	(1,000)
Accounts receivable	(1,186,000)	(6,293,000)	3,350,000
Proceeds from settlement of finance receivable	-	5,371,000	-
Financing receivables	(354,000)	2,535,000	943,000
Inventory	290,000	(1,218,000)	(1,086,000)
Prepaid expenses and other assets	119,000	(860,000)	(437,000)
Deferred costs	58,000	(491,000)	(1,166,000)
Deferred revenue	621,000	3,492,000	(347,000)
Accounts payable and accrued expenses	385,000	3,694,000	(1,151,000)
Net cash used in operating activities	<u>(1,143,000)</u>	<u>(301,000)</u>	<u>(6,902,000)</u>
Cash flows from investing activities:			
Capital expenditures	(538,000)	(410,000)	(2,182,000)
Purchases of investments	(3,841,000)	(5,357,000)	(2,754,000)
Maturities of investments	10,427,000	5,187,000	8,434,000
Net cash provided by (used in) investing activities	<u>6,048,000</u>	<u>(580,000)</u>	<u>3,498,000</u>
Cash flows from financing activities:			
Principal payments of capital lease obligation	(12,000)	(144,000)	(149,000)
Proceeds from exercise of stock options	203,000	460,000	2,006,000
Net cash provided by financing activities	<u>191,000</u>	<u>316,000</u>	<u>1,857,000</u>
Effect of foreign exchange rate changes on cash and cash equivalents			
Net increase (decrease) in cash and cash equivalents	(128,000)	(43,000)	62,000
Cash and cash equivalents - beginning of period	4,968,000	(608,000)	(1,485,000)
Cash and cash equivalents - end of period	<u>1,614,000</u>	<u>6,582,000</u>	<u>5,974,000</u>
Cash and cash equivalents - end of period	<u>\$ 6,582,000</u>	<u>\$ 5,974,000</u>	<u>\$ 4,489,000</u>
Supplemental disclosure of cash flow information:			
Cash paid for:			
Interest	\$ -	\$ 29,000	\$ 18,000
Non-cash investing and financing activities include:			
Shares withheld pursuant to stock issuance	\$ 265,000	\$ 144,000	\$ 457,000
Unrealized (loss) gain on investments	\$ (82,000)	\$ (6,000)	\$ 15,000
Fixed assets acquired by capital lease	\$ 305,000	\$ -	\$ -

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

I.D. SYSTEMS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014 and 2015

NOTE 1 - DESCRIPTION OF BUSINESS AND LIQUIDITY

I.D. Systems, Inc. and its subsidiaries (collectively, the “Company,” “we,” “our” or “us”) develop, market and sell wireless machine-to-machine (“M2M”) solutions for managing and securing high-value enterprise assets. These assets include industrial vehicles, such as forklifts, airport ground support equipment, rental vehicles and transportation assets, such as dry van trailers, refrigerated trailers, railcars and containers. The Company’s patented wireless asset management system addresses the needs of organizations to control, track, monitor and analyze their assets. Our cloud-based software tool called I.D. Systems Analytics (“Analytics”), is designed to provide a single, integrated view of asset activity across multiple locations, generating enterprise-wide benchmarks and peer-industry comparisons to provide an even deeper layer of insights into asset operations. Analytics determines key performance indicators (“KPIs”) relating to the performance of managed assets. The Company’s solutions enable customers to achieve tangible economic benefits by making timely, informed decisions that increase the safety, security, productivity and efficiency of their operations. The Company outsources its hardware manufacturing operations to contract manufacturers.

I.D. Systems, Inc. was incorporated in Delaware in 1993 and commenced operations in January 1994.

As of December 31, 2015, we had cash, cash equivalents and marketable securities of \$6.4 million, working capital of \$14.1 million and no debt outstanding. The Company’s primary sources of cash are cash flows from operating activities and the Company’s holdings of cash, cash equivalents and investments. To date, the Company has not generated sufficient revenue solely from operating activities to fund its operations.

In July 2015, we reduced our headcount by approximately 20%. With the expected cost savings from the decrease in headcount, expected collections on existing accounts receivable and refocused go-to market strategy focusing on large enterprise customers aimed at increasing sales and reducing inventory, we believe that with the cash and investments on hand and available borrowings under the revolving credit facility, we will have sufficient funds available to cover our capital requirements for at least the next 12 months.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[A] Principles of consolidation:

The Consolidated financial statements include the accounts of I.D. Systems, Inc. and its wholly owned subsidiaries, Asset Intelligence, LLC (“AI”), I.D. Systems GmbH (“IDS GmbH”) and I.D. Systems (UK) Ltd (formerly Didbox Ltd.) (“IDS Ltd”) (which, as noted above, are collectively referred to herein as the “Company”). All material intercompany balances and transactions have been eliminated in consolidation.

[B] Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company continually evaluates estimates used in the preparation of the financial statements for reasonableness. The most significant estimates relate to stock-based compensation arrangements, measurements of fair value, realization of deferred tax assets, the impairment of tangible and intangible assets, inventory reserves, allowance for doubtful accounts, warranty reserves and deferred revenue and costs. Actual results could differ from those estimates.

[C] Cash and cash equivalents:

The Company considers all highly liquid debt instruments with an original maturity of three months or less when purchased to be cash equivalents unless they are legally or contractually restricted. The Company’s cash and cash equivalent balances generally exceed FDIC limits.

[D] Restricted cash:

Restricted cash at December 31, 2014 and 2015 consists of cash held in escrow for purchases from a vendor.

[E] Investments:

The Company's investments include debt securities, U.S. Treasury Notes, government and state agency bonds, mutual funds, corporate bonds, common stock and commercial paper, which are classified as either available for sale, held to maturity or trading, depending on management's investment intentions relating to these securities. All of the Company's investments are currently classified as available for sale. Available for sale securities are measured at fair value based on quoted market values of the securities, with the unrealized gain and (losses) reported as comprehensive income or (loss). The Company has classified as short-term those securities that mature within one year, mutual funds and common stock, and all other securities are classified as long-term. Realized gains and losses from the sale of available for sale securities are determined on a specific-identification basis. Net realized gains and losses from the sale of investment securities available for sale are included in "other income" in the consolidated statement of operations. Dividend and interest income are recognized when earned.

[F] Accounts receivable:

Accounts receivable are recorded at the invoiced amount and do not bear interest. Amounts collected on trade accounts receivable are included in net cash provided by operating activities in the consolidated statements of cash flows. The Company maintains reserves against its accounts receivable for potential losses. Allowances for uncollectible accounts are estimated based on the Company's periodic review of accounts receivable balances. In establishing the required allowance, management considers our customers' financial condition, the amount of receivables in dispute, and the current receivables aging and current payment patterns. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Accounts receivable are net of an allowance for doubtful accounts in the amount of \$1,434,000 and \$1,512,000 in 2014 and 2015, respectively. The Company does not have any off-balance sheet credit exposure related to its customers.

[G] Financing receivables:

Financing receivables include notes and sales-type lease receivables from the sale of the Company's products and services. Notes receivable relate to interest-bearing product financing arrangements that exceed one year and are recorded at face value. Interest income is recognized over the life of the note. Amounts collected on notes receivable are included in net cash provided by operating activities in the consolidated statements of cash flows. Unearned income is amortized to interest income over the life of the notes using the effective-interest method.

The Company also derives revenue under leasing arrangements. These arrangements meet the criteria to be accounted for as sales-type leases. Accordingly, an asset is established for the "sales-type lease receivable" at the present value of the future minimum lease payments. Interest income is recognized monthly over the lease term using the effective-interest method.

The allowance for uncollectable minimum lease payments represents the Company's best estimate of the amount of credit losses in the Company's existing notes and sales-type lease receivable. The allowance is determined on an individual note and lease basis if it is probable that the Company will not collect all principal and interest contractually due. The Company considers our customers' financial condition and historical payment patterns in determining the customers' probability of default. The impairment is measured based on the present value of expected future cash flows discounted at the note's effective interest rate. There were no impairment losses recognized for the years ended December 31, 2013, 2014 and 2015. The Company does not accrue interest when a note or lease is considered impaired. When the ultimate collectability of the principal balance of the impaired note or lease is in doubt, all cash receipts on impaired notes or leases are applied to reduce the principal amount of such notes/leases until the principal has been recovered and are recognized as interest income thereafter. Impairment losses are charged against the allowance and increases in the allowance are charged to bad debt expense. Notes and leases are written off against the allowance when all possible means of collection have been exhausted and the potential for recovery is considered remote. The Company resumes accrual of interest when it is probable that the Company will collect the remaining principal and interest of an impaired note/lease. Notes and leases become past due based on how recently payments have been received.

[H] Revenue recognition:

The Company's revenue is derived from: (i) sales of our industrial and rental fleet wireless asset management systems and services, which includes training and technical support; (ii) sales of our transportation asset management systems and spare parts sold to customers (for which title transfers on the date of customer receipt) and from the related communication services under contracts that generally provide for service over periods ranging from one to five years; (iii) post-contract maintenance and support agreements; and (iv) periodically, from leasing arrangements.

Our industrial and rental fleet wireless asset management systems consist of on-asset hardware, communication infrastructure, software, and hosting infrastructure. Revenue derived from the sale of our industrial and rental fleet wireless asset management systems is allocated to each element based upon vendor specific objective evidence (VSOE) of the fair value of the element. VSOE of the fair value is based upon the price charged when the element is sold separately. Revenue is recognized as each element is earned based on the selling price of each element based on VSOE, and when there are no undelivered elements that are essential to the functionality of the delivered elements. The Company's system is typically implemented by the customer or a third party and, as a result, revenue is recognized when title and risk of loss passes to the customer, which usually is upon delivery of the system, persuasive evidence of an arrangement exists, sales price is fixed and determinable, collectability is reasonably assured and contractual obligations have been satisfied. In some instances, we are also responsible for providing installation services. The additional installation services, which could be performed by third parties, are considered another element in a multi-element deliverable and revenue for installation services is recognized at the time the installation is provided. Training and technical support revenue are recognized at time of performance.

The Company recognizes revenues from the sale of remote transportation asset management systems and spare parts when persuasive evidence of an arrangement exists, delivery has occurred, the price is fixed or determinable, and collectability is reasonably assured. These criteria include requirements that the delivery of future products or services under the arrangement is not required for the delivered items to serve their intended purpose. The Company has determined that the revenue derived from the sale of transportation asset management systems does not have stand-alone value to the customer separate from the communication services provided and, therefore, the arrangements constitute a single unit of accounting. Under the applicable accounting guidance, all of the Company's billings for equipment and the related cost are deferred, recorded, and classified as a current and long-term liability and a current and long-term asset, respectively. Deferred revenue and cost are recognized over the service contract life, beginning at the time that a customer acknowledges acceptance of the equipment and service. The customer service contracts typically range from one to five years.

The service revenue for our remote asset monitoring equipment relates to charges for monthly messaging usage and value-added features charges. The usage fee is a monthly fixed charge based on the expected utilization according to the rate plan chosen by the customer. Service revenue generally commences upon equipment installation and customer acceptance, and is recognized over the period such services are provided. Revenue from remote asset monitoring equipment activation fees is deferred and amortized over the life of the contract.

Spare parts sales are reflected in product revenues and recognized on the date of customer receipt of the part.

The Company also derives revenue under leasing arrangements. Such arrangements provide for monthly payments covering the system sale, maintenance, support and interest. These arrangements meet the criteria to be accounted for as sales-type leases. Accordingly, an asset is established for the "sales-type lease receivable" at the present value of the expected lease payments and revenue is deferred and recognized over the service contract, as described above. Maintenance revenues and interest income are recognized monthly over the lease term.

The Company also enters into post-contract maintenance and support agreements for its wireless asset management systems. Revenue is recognized ratably over the service period and the cost of providing these services is expensed as incurred. Deferred revenue also includes prepayment of extended maintenance and support contracts.

Under certain customer contracts, the Company invoices progress billings once certain milestones are met. The milestone terms vary by customer and can include the receipt of the customer purchase order, delivery, installation and launch. As the systems are delivered, and services are performed, and all of the criteria for revenue recognition are satisfied, the Company recognizes revenue. If the amount of revenue recognized for financial reporting purposes is greater than the amount invoiced, an unbilled receivable is recorded. If the amount invoiced is greater than the amount of revenue recognized for financial reporting purposes, deferred revenue is recorded.

Sales taxes collected from customers and remitted to governmental authorities are accounted for on a net basis and therefore are excluded from revenues in the consolidated statements of operations.

[I] Deferred costs:

Deferred product costs consist of transportation asset management equipment costs deferred in accordance with our revenue recognition policy. The Company will continue to evaluate the realizability of the carrying amount of the deferred contract costs on a quarterly basis. To the extent the carrying value of the deferred contract costs exceed the contract revenue, an impairment loss will be recognized.

[J] Inventory:

Inventory, which primarily consists of finished goods and components used in the Company's products, is stated at the lower of cost or market using the first-in first-out (FIFO) method.

Inventory valuation reserves are established in order to report inventories at the lower of cost or market value in the consolidated balance sheet. The determination of inventory valuation reserves requires management to make estimates and judgments on the future salability of inventories. Valuation reserves for obsolete and slow-moving inventory are estimated based on assumptions of future sales forecasts, product life cycle expectations, the impact of new product introductions, production requirements, and specific identification of items, such as product discontinuance or engineering/material changes and by comparing the inventory levels to historical usage rates.

In December 2013, as part of a strategic review and in response to engineering releases of new products and/or new components, the Company evaluated its product life cycle expectations as it relates to inventory on hand as of December 31, 2013. With the release of the Company's next generation vehicle management systems vehicle platform, the VAC4, and the expansion of the Company's product line of over-the-road asset management solutions, the Company made the strategic decision to discontinue offering the Powerkey and prior models of the satellite intermodal and rail product lines for sale to new customers in 2014. As a result of this strategic review of its products line, the Company recorded a \$2,066,000 inventory reserve in December 2013.

[K] Fixed assets and depreciation:

Fixed assets are recorded at cost and depreciated using the straight-line method over the estimated useful lives of the assets, which range from three to ten years. Leasehold improvements are amortized using the straight-line method over the terms of the respective leases, or their estimated useful lives, whichever is shorter. For website development costs, the Company capitalizes costs incurred during the application development stage. Costs related to preliminary project activities and post-implementation activities are expensed as incurred. Internal-use software is amortized on a straight-line basis over its estimated useful life, generally three years.

[L] Long-lived assets:

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the assets to the future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets and would be charged to earnings. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary.

[M] Goodwill and other intangible assets:

Goodwill represents costs in excess of fair values assigned to the underlying net assets of acquired businesses. Goodwill and intangible assets deemed to have indefinite lives are not amortized. Intangible assets other than goodwill are amortized over their useful lives unless the lives are determined to be indefinite. Intangible assets are carried at cost, less accumulated amortization. Intangible assets consist of trademarks and trade name, patents, customer relationships and other intangible assets. The Company tests goodwill and other intangible assets annually, or when a triggering event occurs between annual impairment tests, to determine if impairment exists and if the use of indefinite lives is currently applicable. For purposes of the goodwill impairment test, the Company's product lines are aggregated within one reporting unit. For the years ended December 31, 2014 and 2015, the Company has not incurred an impairment charge. For the year ended December 31, 2013 the Company recorded a \$74,000 impairment charge related to its PowerKey tradename and trademark intangible assets which is included in amortization expense. With the release of the Company's next generation vehicle management systems platform, the VAC4, the Company made the strategic decision to discontinue offering the Powerkey product line for sale to new customers in 2014. As result, the Company wrote-off the PowerKey tradename and trademark intangible assets in 2013.

[N] Product warranties:

The Company typically provides a one-year warranty on its products. Estimated future warranty costs are accrued in the period that the related revenue is recognized. These estimates are derived from historical data and trends of product reliability and costs of repairing and replacing defective products.

[O] Research and development:

Research and development costs are charged to expense as incurred and consists primarily of salaries and related expenses, supplies and contractor costs. Research and development costs were \$4,389,000, \$6,649,000 and \$4,556,000 in 2013, 2014 and 2015, respectively.

[P] Patent costs:

Costs incurred in connection with acquiring patent rights are charged to expense as incurred.

[Q] Benefit plan:

The Company maintains a retirement plan under Section 401(k) of the Internal Revenue Code, which covers all eligible employees. All employees with U.S. source income are eligible to participate in the plan immediately upon employment. The Company did not make any contributions to the plan during the years ended December 31, 2013, 2014 and 2015.

[R] Rent expense:

Expense related to the Company's facilities leases is recorded on a straight-line basis over the respective lease terms. The difference between rent expense incurred and the amounts required to be paid in accordance with the lease term is recorded as deferred rent and is amortized over the lease term.

[S] Stock-based compensation:

The Company accounts for stock-based employee compensation for all share-based payments, including grants of stock options and restricted stock, as an operating expense based on their fair values on grant date. The Company recorded stock-based compensation expense of \$1,118,000, \$1,334,000 and \$1,609,000 for the years ended December 31, 2013, 2014 and 2015, respectively.

The Company estimates the fair value of share-based option awards on the grant date using an option pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service period in the Company's consolidated statement of operations. The Company estimates forfeitures at the time of grant in order to estimate the amount of share-based awards that will ultimately vest. The estimate is based on the Company's historical rates of forfeitures. Estimated forfeitures are revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

[T] Income taxes:

The Company uses the asset and liability method of accounting for deferred income taxes. Deferred income taxes are measured by applying enacted statutory rates to net operating loss carryforwards and to the differences between the financial reporting and tax bases of assets and liabilities. Deferred tax assets are reduced, if necessary, by a valuation allowance if it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The Company recognizes uncertainty in income taxes in the financial statements using a recognition threshold and measurement attribute of a tax position taken or expected to be taken in a tax return. The Company applies the "more-likely-than-not" recognition threshold to all tax positions, commencing at the adoption date of the applicable accounting guidance, which resulted in no unrecognized tax benefits as of such date. Additionally, there have been no unrecognized tax benefits subsequent to adoption. The Company has opted to classify interest and penalties that would accrue according to the provisions of relevant tax law as selling, general, and administrative expenses, in the consolidated statement of operations. For the years ended December 31, 2013, 2014 and 2015, there was no such interest or penalty.

The Company files federal income tax returns and separate income tax returns in various states. For federal and certain states, the 2012 through 2015 tax years remain open for examination by the tax authorities under the normal three-year statute of limitations. For certain other states, the 2011 through 2015 tax years remain open for examination by the tax authorities under a four-year statute of limitations.

[U] Fair value of financial instruments:

Cash and cash equivalents and investments in securities are carried at fair value. The carrying value of financing receivables approximates fair value due to the interest rate implicit in the instruments approximating current market rates. The carrying value of accounts receivable, accounts payable and other liabilities approximates their fair values due to the short period to maturity of these instruments.

[V] Advertising and marketing expense:

Advertising and marketing costs are expensed as incurred. Advertising and marketing expense for the years ended December 31, 2013, 2014 and 2015 amounted to \$305,000, \$380,000 and \$455,000, respectively.

[W] Commitments and contingencies:

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated.

[X] Recently issued accounting pronouncements:

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-02, “Leases” (Topic 842), which requires lessees to recognize the following for all leases (with the exception of short-term leases) at the commencement date: a lease liability, which is a lessee’s obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset, which is an asset that represents the lessee’s right to use, or control the use of, a specified asset for the lease term. The revised guidance must be applied on a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The revised guidance is effective for the Company beginning in the quarter ending March 31, 2019. The Company is currently evaluating the impact of this ASU on the consolidated financial statements.

In April 2015, the FASB issued ASU No. 2015-05 “Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Fees Paid in a Cloud Computing Arrangement” which provides guidance on determining whether a cloud computing arrangement contains a software license that should be accounted for as internal-use software by the customer. If a cloud computing arrangement does not contain a software license, it should be accounted for as a service contract by the customer. This guidance is effective for fiscal years beginning after December 15, 2015 and for interim periods within those fiscal years, with early adoption permitted. The Company is currently evaluating the impact of this ASU on the consolidated financial statements.

In July 2015, the FASB issued ASU No. 2015-11 “Inventory (Topic 330): Simplifying the Measurement of Inventory” which requires entities to measure most inventory “at the lower of cost and net realizable value (“NRV”),” thereby simplifying the current guidance under which an entity must measure inventory at the lower of cost or market. Under the new guidance, inventory is “measured at the lower of cost and net realizable value,” which eliminates the need to determine replacement cost and evaluate whether it is above the ceiling (NRV) or below the floor (NRV less a normal profit margin). The guidance defines NRV as the “estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation.” The guidance is effective for annual periods beginning after December 15, 2016, and interim periods therein. Early application is permitted. The Company is currently evaluating the impact of this ASU on the consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, “Revenue from Contracts with Customers” (Topic 606). This ASU is intended to clarify the principles for recognizing revenue by removing inconsistencies and weaknesses in revenue requirements; providing a more robust framework for addressing revenue issues; improving comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets; and providing more useful information to users of financial statements through improved revenue disclosure requirements. The new standard is required to be applied retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying it recognized at the date of initial application. In July 2015, the FASB approved a deferral of the ASU effective date from annual and interim periods beginning after December 15, 2016 to annual and interim periods beginning after December 15, 2017, while allowing for early adoption for fiscal periods after December 15, 2016. The Company is currently evaluating the impact of this ASU on the consolidated financial statements.

In June 2014, the FASB issued ASU No. 2014-12, "Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period." This ASU requires a reporting entity to treat a performance target that affects vesting and that could be achieved after the requisite service period as a performance condition, and apply existing guidance under the Stock Compensation Topic of the ASC as it relates to awards with performance conditions that affect vesting to account for such awards. The provisions of this ASU are effective for interim and annual periods beginning after December 15, 2015. The Company is currently evaluating the impact of this ASU on the consolidated financial statements.

In August 2014, the FASB issued ASU No. 2014-15, "Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern" ("ASU 2014-15"), to provide guidance on management's responsibility to evaluate whether there is substantial doubt about a company's ability to continue as a going concern within one year after the date that the financial statements are issued. ASU 2014-15 also provides guidance for related footnote disclosures. ASU 2014-15 is effective for the Company beginning on January 1, 2016 with early adoption permitted. The Company does not believe the impact of its pending adoption of this ASU on the Company's consolidated financial statements will be material.

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Company's investments include debt securities, U.S. Treasury Notes, government and state agency bonds, mutual funds, corporate bonds, common stock and commercial paper, which are classified as either available for sale, held to maturity or trading, depending on management's investment intentions relating to these securities. As of December 31, 2014 and 2015, all of the Company's investments are classified as available for sale. Available for sale securities are measured at fair value based on quoted market values of the securities, with the unrealized gain and (losses) reported as comprehensive income or (loss). For the years ended December 31, 2013, 2014 and 2015, the Company reported unrealized losses of \$(55,000), \$(13,000) and \$(28,000), respectively, on available for sale securities in total comprehensive loss. Realized gains and losses from the sale of available for sale securities are determined on a specific-identification basis. The Company has classified as short-term those securities that mature within one year, common stock and mutual funds. All other securities are classified as long-term.

The following table summarizes the estimated fair value of investment securities designated as available for sale, excluding investment in mutual funds and common stock of \$58,000, classified by the contractual maturity date of the security as of December 31, 2015:

	<u>Fair Value</u>
Due within one year.....	\$ 201,000
Due one year through three years	1,206,000
Due after three years.....	<u>133,000</u>
	<u>\$ 1,540,000</u>

The cost, gross unrealized gains (losses) and fair value of available for sale, held-to-maturity and trading by major security type at December 31, 2014 and 2015 were as follows:

<u>December 31, 2015</u>	<u>Cost</u>	<u>Unrealized Gain</u>	<u>Unrealized Loss</u>	<u>Fair Value</u>
Investments - short term				
Available for sale				
Corporate bonds and commercial paper...	\$ 101,000	-	-	\$ 101,000
U.S. Treasury Notes.....	100,000	-	-	100,000
Common stock.....	<u>49,000</u>	<u>9,000</u>	-	<u>58,000</u>
Total investments - short term	<u>250,000</u>	<u>9,000</u>	-	<u>259,000</u>
Marketable securities - long term				
Available for sale				
U.S. Treasury Notes.....	915,000	-	(6,000)	909,000
Government agency bonds.....	150,000	-	(1,000)	149,000
Corporate bonds and commercial paper...	<u>283,000</u>	-	<u>(2,000)</u>	<u>281,000</u>
Total investments - long term	<u>1,348,000</u>	-	<u>(9,000)</u>	<u>1,339,000</u>
Total investments.....	<u>\$ 1,598,000</u>	<u>\$ 9,000</u>	<u>\$ (9,000)</u>	<u>\$ 1,598,000</u>

December 31, 2014	Cost	Unrealized Gain	Unrealized Loss	Fair Value
Investments - short term				
Available for sale				
Mutual funds	\$ 1,706,000	-	(36,000)	\$ 1,670,000
Corporate bonds and commercial paper...	824,000	1,000	-	825,000
U.S. Treasury Notes	680,000	-	-	680,000
Common stock	<u>49,000</u>	<u>25,000</u>	<u>-</u>	<u>74,000</u>
Total investments - short term	<u>3,259,000</u>	<u>26,000</u>	<u>(36,000)</u>	<u>3,249,000</u>
Marketable securities - long term				
Available for sale				
U.S. Treasury Notes	2,165,000	-	(3,000)	2,162,000
Government agency bonds	751,000	-	(3,000)	748,000
Corporate bonds and commercial paper...	<u>1,155,000</u>	<u>1,000</u>	<u>-</u>	<u>1,156,000</u>
Total investments - long term	<u>4,071,000</u>	<u>1,000</u>	<u>(6,000)</u>	<u>4,066,000</u>
Total investments	<u>\$ 7,330,000</u>	<u>\$ 27,000</u>	<u>\$ (42,000)</u>	<u>\$ 7,315,000</u>

The Company utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The following is a brief description of those levels:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.
- Level 3: Unobservable inputs that reflect the reporting entity's estimates of market participant assumptions.

At December 31, 2014 and 2015, the Company's investments described above are classified as Level 1 for fair value measurement.

NOTE 4 - REVENUE RECOGNITION

The Company's revenue is derived from: (i) sales of our industrial and rental fleet wireless asset management systems and services, which includes training and technical support; (ii) sales of our transportation asset management systems and spare parts sold to customers (for which title transfers on the date of customer receipt) and from the related communication services under contracts that generally provide for service over periods ranging from one to five years; (iii) post-contract maintenance and support agreements; and (iv) periodically, from leasing arrangements. Amounts invoiced to customers which are not recognized as revenue are classified as deferred revenue, and classified as short-term or long-term based upon the terms of future services to be delivered.

Deferred revenue consists of the following:

	December 31,	
	<u>2014</u>	<u>2015</u>
Deferred activation fees	\$ 532,000	\$ 466,000
Deferred revenue	1,985,000	489,000
Deferred maintenance and hosting revenue	3,211,000	3,377,000
Deferred remote asset management product revenue	<u>8,943,000</u>	<u>9,992,000</u>
	14,671,000	14,324,000
Less: Current portion	<u>6,742,000</u>	<u>7,383,000</u>
Deferred revenue - less current portion	<u>\$ 7,929,000</u>	<u>\$ 6,941,000</u>

Under certain customer contracts, the Company invoices progress billings once certain milestones are met. The milestone terms vary by customer and can include the receipt of the customer purchase order, delivery, installation and launch. As the systems are delivered, and services are performed, and all of the criteria for revenue recognition are satisfied, the Company recognizes revenue. If the amount of revenue recognized for financial reporting purposes is greater than the amount invoiced, an unbilled receivable is recorded. If the amount invoiced is greater than the amount of revenue recognized for financial reporting purposes, deferred revenue is recorded. As of December 31, 2014 and 2015, unbilled receivables were \$170,000 and \$-0-, respectively.

During the years ended December 31, 2013, 2014 and 2015, the Company amortized deferred equipment revenue of \$3,169,000, \$3,720,000 and \$5,373,000, respectively, to product revenue.

In April 2015, we entered into a development project with Avis Budget Car Rental, LLC (“ABCR”), a subsidiary of Avis Budget Group. The Company recognized milestone revenue of \$750,000 for year ended December 31, 2015 from the completion of milestones in accordance with the milestone method of revenue recognition. Milestone payments are recognized as revenue upon achievement of the milestone only if the following conditions are met: (i) there is substantive uncertainty at the date of entering into the arrangement that the milestone would be achieved; (ii) the milestone is commensurate with either the vendor’s performance to achieve the milestone or the enhancement of the value of the delivered item by the vendor; (iii) the milestone relates solely to past performance; and (iv) be reasonable in relation to the effort expended to achieve the milestone.

NOTE 5 - FINANCING RECEIVABLES

Financing receivables include notes and sales-type lease receivables from the sale of the Company’s products and services. Financing receivables consist of the following:

	December 31,	
	2014	2015
Notes receivable.....	\$ 27,000	\$ 1,000
Sales-type lease receivable	5,943,000	5,027,000
Less: Allowance for uncollectable minimum lease payments	-	-
	<u>5,970,000</u>	<u>5,028,000</u>
Less: Current portion		
Notes receivable.....	25,000	1,000
Sales-type lease receivable	1,873,000	1,949,000
	<u>1,898,000</u>	<u>1,950,000</u>
Financing receivables - less current portion	<u>\$ 4,072,000</u>	<u>\$ 3,078,000</u>

Notes receivable relate to product financing arrangements that exceed one year and bear interest at approximately 10%. The notes receivable are collateralized by the equipment being financed. Amounts collected on the notes receivable are included in net cash provided by operating activities in the Consolidated Statements of Cash Flows. Unearned interest income is amortized to interest income over the life of the notes using the effective-interest method. For the years ended December 31, 2014 and 2015, there were no sales of notes receivable.

On December 9, 2014, the Company entered into an agreement pursuant to which a finance receivable was converted into a one-time payment to the Company of approximately \$5.4 million in cash. The Company recognized a loss of approximately \$441,000 in the fourth quarter of 2014, reflecting a discount rate on the settlement of the finance receivable.

The present value of net investment in sales-type lease receivable is principally for three to five-year leases of the Company’s product and is reflected net of unearned income of \$565,000 and \$442,000 at December 31, 2014 and 2015, respectively, discounted at 1% - 26%.

Scheduled maturities of minimum lease payments outstanding as of December 31, 2015 are as follows:

Year ending December 31:

2016	\$ 1,949,000
2017	1,589,000
2018	968,000
2019	382,000
2020	<u>139,000</u>
	5,027,000
Less: Current portion	<u>1,949,000</u>
Total.....	<u>\$ 3,078,000</u>

NOTE 6 - INVENTORIES

Inventories consist of the following:

	December 31,	
	<u>2014</u>	<u>2015</u>
Components	\$ 3,029,000	\$ 2,762,000
Finished goods	<u>3,223,000</u>	<u>4,390,000</u>
	<u>\$ 6,252,000</u>	<u>\$ 7,152,000</u>

NOTE 7 - FIXED ASSETS

Fixed assets are stated at cost, less accumulated depreciation and amortization, and are summarized as follows:

	December 31,	
	<u>2014</u>	<u>2015</u>
Equipment.....	\$ 1,480,000	\$ 1,659,000
Computer software and website development	3,470,000	5,398,000
Computer hardware	2,717,000	2,751,000
Furniture and fixtures	373,000	401,000
Automobiles.....	47,000	60,000
Leasehold improvements	<u>181,000</u>	<u>181,000</u>
	8,268,000	10,450,000
Accumulated depreciation and amortization.....	<u>(6,748,000)</u>	<u>(7,331,000)</u>
	<u>\$ 1,520,000</u>	<u>\$ 3,119,000</u>

The Company had expenditures of approximately \$63,000 and \$1,909,000 for computer equipment and software which had not been placed in service as of December 31, 2014 and 2015, respectively. Depreciation and amortization expense is not recorded for such assets until they are placed in service.

Depreciation and amortization expense for the years ended December 31, 2013, 2014 and 2015 was \$1,005,000, \$1,129,000 and \$583,000, respectively. This includes amortization of costs associated with computer software and website development for the years ended December 31, 2013, 2014 and 2015 of \$566,000, \$577,000 and \$156,000, respectively.

The Company capitalizes in fixed assets the costs of software development and website development. Specifically, the assets comprise an implementation of Enterprise Resource Planning (ERP) software, enhancements to the VeriWise™ systems, and a customer interface website (which is the primary tool used to provide data to our customers). The website employs updated web architecture and improved functionality and features, including, but not limited to, customization at the customer level, enhanced security features, custom virtual electronic geofencing of landmarks, global positioning system (“GPS”)-based remote mileage reporting, and richer mapping capabilities. The Company capitalized the costs incurred during the “development” and “enhancement” stages of the software and website development. Costs incurred during the “planning” and “post-implementation/operation” stages of development were expensed. The Company capitalized \$151,000 and \$1,909,000 for such projects for the years ended December 31, 2014 and 2015, respectively.

NOTE 8 - INTANGIBLE ASSETS AND GOODWILL

The following table summarizes identifiable intangible assets of the Company, which include identifiable intangible assets from the acquisition of Didbox Ltd., PowerKey (the industrial vehicle monitoring products division of International Electronics, Inc. acquired by the Company in 2008) and AI as of December 31, 2014 and December 31, 2015:

<u>December 31, 2015</u>	<u>Useful Lives (In Years)</u>	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Net Carrying Amount</u>
Amortized:				
Patents.....	11	\$ 1,489,000	\$ (812,000)	\$ 677,000
Tradename	5	200,000	(200,000)	-
Non-competition agreement	3	234,000	(234,000)	-
Technology	5	50,000	(50,000)	-
Workforce.....	5	33,000	(33,000)	-
Customer relationships	5	4,499,000	(4,499,000)	-
		<u>6,505,000</u>	<u>(5,828,000)</u>	<u>677,000</u>
Unamortized:				
Customer list.....		104,000	-	104,000
Trademark and Tradename		61,000	-	61,000
		<u>165,000</u>	<u>-</u>	<u>165,000</u>
Total.....		<u>\$ 6,670,000</u>	<u>\$ (5,828,000)</u>	<u>\$ 842,000</u>
<u>December 31, 2014</u>	<u>Useful Lives (In Years)</u>	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Net Carrying Amount</u>
Amortized:				
Patents.....	11	\$ 1,489,000	\$ (677,000)	\$ 812,000
Tradename	5	200,000	(200,000)	-
Non-competition agreement	3	234,000	(234,000)	-
Technology	5	50,000	(50,000)	-
Workforce.....	5	33,000	(33,000)	-
Customer relationships	5	4,499,000	(4,499,000)	-
		<u>6,505,000</u>	<u>(5,693,000)</u>	<u>812,000</u>
Unamortized:				
Customer list.....		104,000	-	104,000
Trademark and Tradename		61,000	-	61,000
		<u>165,000</u>	<u>-</u>	<u>165,000</u>
Total.....		<u>\$ 6,670,000</u>	<u>\$ (5,693,000)</u>	<u>\$ 977,000</u>

The Company tests the goodwill and other intangible assets on an annual basis in the fourth quarter or more frequently if the Company believes indicators of impairment exist. As of December 31, 2014 and 2015, the Company determined that no impairment existed to the goodwill, customer list and trademark and trade name of its acquired intangibles. For the year ended December 31, 2013 the Company recorded a \$74,000 impairment charge related to its PowerKey tradename and trademark intangible assets which is included in amortization expense. With the release of the Company's next generation vehicle management systems platform, the VAC4, the Company made the strategic decision to discontinue offering the Powerkey product line for sale to new customers in 2014. As result, the Company wrote-off the PowerKey tradename and trademark intangible assets.

The Company also determined that the use of indefinite lives for the customer list and remaining trademark and trade name remains applicable at December 31, 2014 and 2015, as the Company expects to continue to derive future benefits from these intangible assets.

Amortization expense for the years ended December 31, 2013, 2014 and 2015 was \$1,166,000, \$1,087,000 and \$135,000 (including \$74,000 impairment charge for the PowerKey tradename and trademark in 2013), respectively. Estimated future amortization expense for the succeeding five years for the intangible assets at December 31, 2015 is as follows:

Year ending December 31:

2016	135,000
2017	135,000
2018	135,000
2019	135,000
2020	135,000

There have been no changes in the carrying amount of goodwill from January 1, 2014 to December 31, 2015.

NOTE 9 - NET LOSS PER SHARE

Basic and diluted loss per share	December 31,		
	2013	2014	2015
Net loss	<u>\$ (7,499,000)</u>	<u>\$ (11,575,000)</u>	<u>\$ (9,952,000)</u>
Weighted-average common shares outstanding - basic and diluted	<u>11,912,000</u>	<u>12,098,000</u>	<u>12,614,000</u>
Net loss per share - basic and diluted.....	<u>\$ (0.63)</u>	<u>\$ (0.96)</u>	<u>\$ (0.79)</u>

Basic loss per share is calculated by dividing net loss by the weighted-average number of common shares outstanding during the period. Diluted loss per share reflects the potential dilution assuming common shares were issued upon the exercise of outstanding options and the proceeds thereof were used to purchase outstanding common shares. Dilutive potential common shares include outstanding stock options, warrants and restricted stock and performance share awards. For the years ended December 31, 2013, 2014 and 2015, the basic and diluted weighted-average shares outstanding are the same, since the effect from the potential exercise of outstanding stock options, warrants and vesting of restricted stock and performance shares of 3,124,000, 2,943,000 and 1,887,000, respectively, would have been anti-dilutive. The SOW#2 warrants also have no impact on diluted loss per share since they are considered unissued as of December 31, 2015 (See Note 10[D]).

NOTE 10 - STOCK-BASED COMPENSATION

[A] Stock options:

The Company adopted the 1995 Stock Option Plan, pursuant to which the Company had the right to grant options to purchase up to an aggregate of 1,250,000 shares of common stock. The Company also adopted the 1999 Stock Option Plan, pursuant to which the Company had the right to grant stock awards and options to purchase up to 2,813,000 shares of common stock. The Company also adopted the 1999 Director Option Plan, pursuant to which the Company had the right to grant options to purchase up to an aggregate of 600,000 shares of common stock. The 1995 Stock Option Plan expired during 2005 and the 1999 Stock and Director Option Plans expired during 2009 and the Company cannot issue additional options under these plans.

The Company adopted the 2007 Equity Compensation Plan, pursuant to which, as amended, the Company may grant options to purchase up to an aggregate of 2,500,000 shares of common stock. The Company also adopted the 2009 Non-Employee Director Equity Compensation Plan, pursuant to which, as amended, the Company may grant options to purchase up to an aggregate of 600,000 shares of common stock. In June 2015, the Company adopted the 2015 Equity Compensation Plan (the "2015 Plan") pursuant to which the Company may grant stock options, restricted stock and other equity-based awards with respect to up to an aggregate of 1,200,000 shares of common stock. The plans are administered by the Compensation Committee of the Company's Board of Directors (the "Compensation Committee"), which has the authority to determine, among other things, the term during which an option may be exercised (not more than 10 years), the exercise price of an option and the vesting provisions.

On March 21, 2014, the Company and its former Chief Executive Officer (the “Former CEO”) entered into a Separation and General Release Agreement (the “Separation Agreement”). Under the terms of the Separation Agreement, the vesting of the Former CEO’s unvested stock options and restricted stock were accelerated and the term to exercise the stock options was extended to fifteen (15) months from March 2, 2014, the date of the Former CEO’s separation. Due to the modification of the terms of the stock option and restricted stock agreements, the Company recognized \$327,000 of additional stock-based compensation expense in the first quarter of 2014 which is included in the stock option and restricted stock stock-based compensation expense.

On April 4, 2014, each of Lawrence S. Burstein, Harold D. Copperman, Robert J. Farrell and Michael P. Monaco (collectively, the “Former Board Members”) informed the Company of their respective decisions not to stand for re-election to the Company’s board of directors (the “Board”) at the 2014 annual meeting of stockholders, which was held on June 20, 2014 (the “2014 Annual Meeting”). In connection with the Former Board Members’ departure, the vesting of certain options granted to the Former Board Members under the 2009 Director Plan was accelerated and the post-termination exercise period was extended from a period of three (3) months to fifteen (15) months after the Former Board Members ceased to serve as members of the Board on June 20, 2014. Due to the modification of the terms of the stock options, the Company recognized \$49,000 of additional stock-based compensation expense in the second quarter of 2014 which is included in the stock option stock-based compensation expense.

A summary of the status of the Company’s stock options as of December 31, 2013, 2014 and 2015 and changes during the years then ended, is presented below:

	2013		2014		2015	
	Number of Shares	Weighted - Average Exercise Price	Number of Shares	Weighted - Average Exercise Price	Number of Shares	Weighted - Average Exercise Price
Outstanding at beginning of year...	2,568,000	\$ 7.33	2,790,000	\$ 7.25	2,209,000	\$ 6.84
Granted	367,000	5.63	290,000	5.54	-	-
Exercised	(67,000)	3.4	(126,000)	3.65	(568,000)	3.95
Expired.....	(25,000)	5.89	(383,000)	6.88	(25,000)	10.00
Forfeited.....	(53,000)	5.13	(362,000)	10.03	(404,000)	10.38
Outstanding at end of year	<u>2,790,000</u>	\$ 7.25	<u>2,209,000</u>	\$ 6.84	<u>1,212,000</u>	\$ 6.94
Exercisable at end of year	<u>1,964,000</u>	\$ 8.12	<u>1,620,000</u>	\$ 7.31	<u>904,000</u>	\$ 7.40

The following table summarizes information about stock options at December 31, 2015:

Exercise Prices (\$)	Options Outstanding			Options Exercisable	
	Number Outstanding	Weighted - Average Remaining Contractual Life in Years	Weighted-Average Exercise Price	Number Outstanding	Weighted-Average Exercise Price
2.06 - 3.81	240,000	4	\$ 3.20	240,000	\$ 3.20
3.82 - 7.40	782,000	7	5.51	474,000	5.45
7.41 - 14.15	56,000	2	7.66	56,000	7.66
14.16 - 19.94	8,000	1	16.18	8,000	16.18
19.95 - 24.08	<u>126,000</u>	1	22.04	<u>126,000</u>	22.04
	<u>1,212,000</u>	5	\$ 6.94	<u>904,000</u>	\$ 7.40

As of December 31, 2015		
	Aggregate Intrinsic Value	Weighted Average Remaining Contractual Life in Years
Options outstanding	\$ 342,000	5
Options exercisable.....	\$ 342,000	4

The fair value of each option grant on the date of grant is estimated using the Black-Scholes option-pricing model reflecting the following weighted-average assumptions:

	December 31,		
	2013	2014	2015
Expected volatility.....	47.34%	44.4%	-
Expected life of options.....	4.0 - 5.0 years	3.0 - 4.0 years	-
Risk free interest rate.....	0.6%	1.2%	-
Dividend yield.....	0%	0%	-
Weighted-average fair value of options granted during the year	\$ 2.17	\$ 1.91	-

Expected volatility is based on historical volatility of the Company's common stock and the expected life of options is based on historical data with respect to employee exercise periods.

For the years ended December 31, 2013, 2014 and 2015, the Company recorded \$579,000, \$540,000 and \$282,000, respectively, of stock-based compensation expense in connection with the stock option grants. The total intrinsic value of options exercised during the years ended December 31, 2013, 2014 and 2015 was \$209,000, \$276,000 and \$1,524,000, respectively.

The fair value of options vested during the years ended December 31, 2013, 2014 and 2015 was \$633,000, \$712,000 and \$505,000, respectively. As of December 31, 2015, there was \$484,000 of total unrecognized compensation costs related to non-vested options granted under the Company's stock option plans. That cost is expected to be recognized over a weighted-average period of 2.19 years.

[B] Restricted Stock Awards:

The Company grants restricted stock to employees, whereby the employees are contractually restricted from transferring the shares until they are vested. The stock is unvested at the time of grant and, upon vesting, there are no legal restrictions on the stock. The fair value of each share is based on the Company's closing stock price on the date of the grant. A summary of the non-vested shares for the years ended December 31, 2013, 2014 and 2015 is as follows:

	Number of Non-vested Shares	Weighted - Average Grant Date Fair Value
Non-vested at January 1, 2013	293,000	\$ 3.79
Granted	101,000	5.67
Vested.....	(183,000)	3.35
Forfeited	(11,000)	4.92
Non-vested at December 31, 2013	200,000	\$ 5.08
Granted	608,000	5.68
Vested.....	(99,000)	5.06
Forfeited	(93,000)	5.02
Non-vested at December 31, 2014	616,000	\$ 5.69
Granted	232,000	6.00
Vested.....	(210,000)	5.75
Forfeited	(63,000)	5.70
Non-vested at December 31, 2015	575,000	\$ 5.79

For the years ended December 31, 2013, 2014 and 2015, the Company recorded \$527,000, \$787,000 and \$1,325,000 respectively, of stock-based compensation expense in connection with the restricted stock grants. As of December 31, 2015, there was \$2,477,000 of total unrecognized compensation cost related to non-vested shares. That cost is expected to be recognized over a weighted-average period of 2.72 years.

[C] Performance Shares:

The Company grants performance shares to certain key employees pursuant to the 2007 Equity Compensation Plan, as amended. The issuance of the shares of the Company’s common stock underlying the performance shares is subject to the achievement of stock price targets of the Company’s common stock at the end of a three-year measurement period from the date of issuance, with the ability to achieve prorated performance shares during interim annual measurement periods. The annual measurement period is based on a trading-day average of the Company’s stock after the announcement of annual results. If the stock price performance triggers are not met, the performance shares will not vest and will automatically be returned to the plan. If the stock price performance triggers are met, then the shares will be issued to the employees. Under the applicable accounting guidance, stock compensation expense at the fair value of the shares expected to vest is recorded even if the aforementioned stock price targets are not met. Stock-based compensation expense related to these performance shares for the years ended December 31, 2013, 2014 and 2015 was insignificant.

The following table summarizes the activity relating to the Company’s performance shares for the years ended December 31, 2013, 2014 and 2015:

	<u>Non-vested Shares</u>
Performance shares, non-vested, January 1, 2013	134,000
Granted	-
Vested	-
Forfeited	<u>(100,000)</u>
Performance shares, non-vested, December 31, 2013	34,000
Granted	-
Vested	-
Forfeited	<u>(16,000)</u>
Performance shares, non-vested, December 31, 2014	18,000
Granted	-
Vested	-
Forfeited	<u>(18,000)</u>
Performance shares, non-vested, December 31, 2015	<u>-</u>

[D] Warrants:

On August 22, 2011 (the “Effective Date”), the Company and Avis Budget Car Rental, LLC (“ABCR”), a subsidiary of Avis Budget Group, entered into a Master Software License, Information Technology Services and Equipment Purchase Agreement (the “Master Agreement”) for the Company’s system relating to radio frequency identification (RFID) enabled rental car management and virtual location rental (collectively, the “System”). The order which covered 25,000 units (“SOW #1”) was placed pursuant to a statement of work (“SOW”) issued under the Master Agreement and related agreements with ABCR. In connection with the Master Agreement, the Company also entered into a Purchase Agreement (the “Purchase Agreement”), dated as of August 22, 2011, with Avis Budget Group, Inc. (“Avis Budget Group”), pursuant to which Avis Budget Group purchased from the Company, for an aggregate purchase price of \$4,604,500 (or \$4.60 per share, which price was based on the average closing price of our common stock for the twenty trading days prior to the Effective Date), (i) 1,000,000 shares (the “Shares”) of the Company’s common stock, and (ii) a warrant (the “Warrant”) to purchase up to an aggregate of 600,000 shares of our common stock (the “Warrant Shares”) at an exercise price of \$10.00 per share of common stock . The Company issued the Shares in 2011 from treasury stock, reflecting the cost of such shares on a specific identification basis.

The Warrant is exercisable (i) with respect to 100,000 of the Warrant Shares, at any time after the Effective Date and on or before the fifth (5th) anniversary thereof, and (ii) with respect to 500,000 of the Warrant Shares, at any time on or after the date (if any) on which ABCR, the Avis entity that is the counterparty under the Master Agreement, executes and delivers to the Company a second SOW (“SOW#2”) for the purchase of additional units, and on or before the fifth (5th) anniversary of the Effective Date.

The Warrant may be exercised by means of a “cashless exercise” solely in the event that on the later of (i) the one-year anniversary of the Effective Date and (ii) the date on which the Warrant is exercised by the holder, the Company is eligible to file a registration statement on Form S-3 to register the Warrant Shares for resale by the holder and a re-sale registration statement on Form S-3 registering the Warrant Shares for resale by the holder is not then declared effective by the Securities and Exchange Commission (the “SEC”) and available for use by the holder. The Company has agreed to file such a registration statement (on Form S-3 only, or a successor thereto) within 30 days of the holder’s request therefor, and to have such registration statement declared effective within 90 days of such request, if there is no review by the Staff of the SEC, and within 120 days, if there has been a review by the Staff of the SEC. As of December 31, 2015, the Company has not yet been requested to file such a registration statement.

The exercise price of the Warrant and, in some cases, the number of shares of our common stock issuable upon exercise, are subject to adjustment in the case of stock splits, stock dividends, combinations of shares, similar recapitalization transactions and certain pro-rata distributions to holders of common stock. In the event of a fundamental transaction involving the Company, such as a merger, consolidation, sale of substantially all of the Company’s assets or similar reorganization or recapitalization, the holder will be entitled to receive, upon exercise of the Warrant, any securities or other consideration received by the holders of the Company’s common stock pursuant to such fundamental transaction.

The Company is required to reserve a sufficient number of shares of common stock for the purpose enabling the Company to issue the Warrant Shares pursuant to any exercise of the Warrants. As of December 31, 2015, the Company has sufficient shares reserved.

The fair value of the 100,000 Warrant Shares which vested on the Effective Date was recorded as reduction of product revenue during the third quarter of 2011. The remaining 500,000 Warrant Shares underlying the Warrant, which vest upon the execution of SOW#2, have not been valued at this time since the Company has not determined that it is probable that SOW#2 will be executed and that the Warrant will become exercisable for these remaining 500,000 Warrant Shares. Since there is no penalty for failure to execute SOW#2, there is no performance commitment date and, therefore, there is no measurement date for these 500,000 Warrant Shares underlying the Warrant until SOW#2 is executed.

NOTE 11 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of the following:

	December 31,	
	2014	2015
Accounts payable.....	\$ 7,190,000	\$ 8,026,000
Accrued warranty.....	942,000	614,000
Accrued severance	180,000	-
Accrued compensation.....	1,360,000	418,000
Other current liabilities	430,000	115,000
	<u>\$ 10,102,000</u>	<u>\$ 9,173,000</u>

Included in accounts payable and accrued expenses at December 31, 2014 is accrued severance of \$180,000 to the Former CEO. The accrued severance was payable in equal monthly installments of approximately \$20,000.

The Company’s products are warranted against defects in materials and workmanship for a period of 12 months from the date of acceptance of the product by the customer. The customers may purchase an extended warranty providing coverage up to a maximum of 60 months. A provision for estimated future warranty costs is recorded for expected or historical warranty matters related to equipment shipped and is included in accounts payable and accrued expenses in the Consolidated Balance Sheets as of December 31, 2014 and 2015.

The following table summarizes warranty activity during the years ended December 31, 2014 and 2015:

	Year Ended	
	2014	2015
Accrued warranty reserve, beginning of year	\$ 522,000	\$ 942,000
Accrual for product warranties issued	837,000	550,000
Product replacements and other warranty expenditures.....	(218,000)	(300,000)
Expiration of warranties.....	(199,000)	(578,000)
	<u> </u>	<u> </u>
Accrued warranty reserve, end of period.....	<u>\$ 942,000</u>	<u>\$ 614,000</u>

NOTE 12 - CAPITAL LEASE OBLIGATION

In September 2013, the Company acquired certain computer equipment pursuant to a capital lease obligation. During the lease term which expired in December 2015, the Company was required to make monthly payments of approximately \$14,000, including interest at an annual rate of 12.82%

NOTE 13 - REVOLVING CREDIT FACILITY

On December 18, 2015 (the “Closing Date”), I.D. Systems, Inc. (“I.D. Systems”), and its wholly-owned subsidiary, Asset Intelligence, LLC (“Asset Intelligence”) (collectively, the “Loan Parties”), entered into a loan and security agreement (the “Revolver”) with Siena Lending Group LLC. As of December 31, 2015, there were no borrowings outstanding under the Revolver.

The Revolver provides a revolving credit facility in an aggregate principal amount of up to \$7.5 million and a maturity date of December 18, 2017 (which date may be accelerated in certain cases). Outstanding indebtedness under the Revolver may be voluntarily prepaid at any time, in whole or in part, subject to payment of an early termination premium equal to (i) 3% of the amount of such prepayment if prepayment occurs on or before December 18, 2016, or (ii) 1.5% of the amount of such prepayment if prepayment occurs after December 18, 2016 but on or before June 18, 2017, but no early termination premium is payable if prepayment occur after June 18, 2017. In addition, no early termination premium is payable if the Revolver is refinanced with Bank of America, N.A. I.D. Systems intends to use borrowings under the Revolver for a variety of purposes, including working capital and general corporate purposes.

The Company has an available borrowing base subject to reserves established at the lender’s discretion of 85% of Eligible Accounts (as defined in the Revolver) and 75% of Eligible Lease Receivables (as defined in the Revolver) up to \$7.5 million under the Revolver. Eligible Accounts and Eligible Lease Receivables do not include certain receivables deemed ineligible by the lender.

Borrowings under the Revolver bear interest at a rate equal to the sum of 2.00% per annum plus the base rate as it is defined in the loan and security agreement governing the Revolver (the greater of (i) Prime Rate (ii) Federal Funds Rate plus 0.5%, or (iii) 3.25%). In addition, the Company is charged an unused line fee equal to 0.50% per annum on unused amounts of the revolving credit facility and a minimum borrowing fee equal to the excess, if any, of (i) interest which would have been payable in respect of each month if, at all time during such month, the principal balance of the Revolving Loans (as defined in the Revolver) was equal to \$2,000,000 over (ii) the actual interest payable in respect of such month on the Revolving Loans.

The Loan Parties guarantee the payment obligations under the Revolver. Any borrowings are further secured by (i) certain equity interests owned or held by the Loan Parties and 65% of the voting stock of all present and future foreign subsidiaries of the Loan Parties and (ii) substantially all of the tangible and intangible personal property and assets of the Loan Parties.

The Revolver contains a financial covenant regarding liquidity which requires the Loan Parties to maintain a minimum liquidity of (a) \$3,500,000 from the Closing Date through and including January 31, 2016 and (b) \$4,000,000 on February 1, 2016 or at any time thereafter. The Revolver also includes customary affirmative and negative covenants for credit facilities of this type, including limitations on our indebtedness, liens, investments, restricted payments, mergers and acquisitions, dispositions of assets, transactions with affiliates, ability to amend our organizational documents. Any failure to comply with such covenants could lead to an acceleration of our obligations under the Revolver. The Company is in compliance with the covenants under the Revolver as of December 31, 2015.

NOTE 14 - CONCENTRATION OF CUSTOMERS

One customer accounted for 23% the Company's revenue during the year ended and as of December 31, 2015 and one customer accounted for 10% of the Company's accounts receivable as of December 31, 2015. One customer accounted for 11% of finance receivables as of December 31, 2015.

Two customers accounted for 16% and 14% of the Company's revenue during the year ended and as of December 31, 2014 and one of the customers and an additional customer accounted for 14% and 10%, respectively, of the Company's accounts receivable as of December 31, 2014. No customer accounted for 10% or greater of finance receivables as of December 31, 2014.

Two customers accounted for 18% and 10% of the Company's revenue during the year ended and as of December 31, 2013 and one of the customers accounted for 10% of the Company's accounts receivable as of December 31, 2013. One customer accounted for 54% of finance receivables as of December 31, 2013.

NOTE 15 - STOCKHOLDERS' EQUITY

[A] Preferred stock:

The Company is authorized to issue 5,000,000 shares of preferred stock, par value \$0.01 per share. The Company's Board of Directors has the authority to issue shares of preferred stock and to determine the price and terms of those shares. No shares of preferred stock are issued and outstanding.

[B] Stock repurchase program:

On November 3, 2010, the Company's Board of Directors authorized the repurchase of issued and outstanding shares of the Company's common stock having an aggregate value of up to \$3,000,000 pursuant to a share repurchase program. The repurchases under the share repurchase program are made from time to time in the open market or in privately negotiated transactions and are funded from the Company's working capital. The amount and timing of such repurchases is dependent upon the price and availability of shares, general market conditions and the availability of cash, as determined at the discretion of the Company's management. All shares of common stock repurchased under the Company's share repurchase program are held as treasury stock. The Company did not purchase any shares of its common stock under the share repurchase program during the years ended December 31, 2013 through 2015. As of December 31, 2015, the Company has purchased a total of approximately 310,000 shares of its common stock in open market transactions under the share repurchase program for an aggregate purchase price of approximately \$1,340,000, or an average cost of \$ 4.33 per share.

[C] Shares withheld:

During the year ended December 31, 2015, 80,000 shares of the Company's common stock were withheld to satisfy minimum tax withholding obligations in connection with the vesting of restricted shares and to pay the exercise price of stock options in the aggregate amount of \$457,000.

During the year ended December 31, 2014, 25,000 shares of the Company's common stock were withheld to satisfy minimum tax withholding obligations in connection with the vesting of restricted shares and to pay the exercise price of stock options in the aggregate amount of \$144,000.

During the year ended December 31, 2013, 49,000 shares of the Company's common stock were withheld to satisfy minimum tax withholding obligations in connection with the vesting of restricted shares and to pay the exercise price of stock options in the aggregate amount of \$265,000.

NOTE 16 - ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Comprehensive loss includes net loss and unrealized gains or losses on available-for-sale investments and foreign currency translation gains and losses. Cumulative unrealized gains and losses on available-for-sale investments are reflected as accumulated other comprehensive loss in stockholders' equity on the Company's Consolidated Balance Sheets.

The accumulated balances for each classification of other comprehensive loss are as follows:

	Foreign currency items	Unrealized gain (losses) on investments	Accumulated other comprehensive income
Balance at January 1, 2013	\$ (20,000)	\$ 73,000	\$ 53,000
Net current period change.....	<u>(77,000)</u>	<u>(82,000)</u>	<u>(159,000)</u>
Balance at December 31, 2013	<u>(97,000)</u>	<u>\$ (9,000)</u>	<u>\$ (106,000)</u>
Net current period change.....	<u>(263,000)</u>	<u>(6,000)</u>	<u>(269,000)</u>
Balance at December 31, 2014	<u>(360,000)</u>	<u>\$ (15,000)</u>	<u>(375,000)</u>
Net current period change.....	<u>(140,000)</u>	<u>15,000</u>	<u>(125,000)</u>
Balance at December 31, 2015	<u>\$ (500,000)</u>	<u>\$ -</u>	<u>(500,000)</u>

Income and expense accounts of foreign operations are translated at actual or weighted-average exchange rates during the period. Assets and liabilities of foreign operations that operate in a local currency environment are translated to U.S. dollars at the exchange rates in effect at the balance sheet date. Translation gains or losses are reported as components of accumulated other comprehensive income or loss in consolidated stockholders' equity. Net translation gains or losses resulting from the translation of foreign currency financial statements and the effect of exchange rate changes on intercompany transactions of a long-term investment nature with the GmbH resulted in a translation losses of \$(77,000), \$(263,000) and \$(140,000) at December 31, 2013, 2014 and 2015, respectively, which are included in comprehensive loss in the Consolidated Statement of Changes in Stockholders' Equity. Effective December 1, 2015, the intercompany transactions with IDS GmbH are not considered of a long-term investment nature and the effect of the exchange rate changes on the intercompany transactions are included selling, general and administrative expenses in the Consolidated Statement of Operations.

Gains and losses resulting from foreign currency transactions are included in determining net income or loss. Foreign currency transaction gains (losses) for the years ended December 31, 2013, 2014 and 2015 of \$37,000, \$(56,000) and \$(60,000), respectively, are included in selling, general and administrative expenses in the Consolidated Statement of Operations.

NOTE 17 - INCOME TAXES

At December 31, 2015, the Company had an aggregate net operating loss carryforward of approximately \$67,240,000 for U.S. federal income tax purposes, of which \$7,848,000 relates to stock options for which there were no compensation charges for financial reporting. Accordingly, any future tax benefit upon utilization of that net operating loss would be credited to additional paid-in capital. The Company has not included this amount in deferred tax assets. At December 31, 2015, the Company had an aggregate net operating loss carryforward of approximately \$36,783,000 for state income tax purposes and a foreign net operating loss carryforward of approximately \$2,376,000. Substantially all of the net operating loss carryforwards expire from 2020 through 2035 for federal purposes and from 2016 through 2035 for state purposes. The net operating loss carryforwards may be limited to use in any particular year based on Internal Revenue Code ("IRC") Section 382 related to change of ownership restrictions. Section 382 of the IRC imposes an annual limitation on the utilization of NOL carryforwards based on long-term bond rates and the value of the corporation at the time of a change in ownership as defined by Section 382 of the IRC. In addition, future stock issuances may subject the Company to further limitations on the utilization of its net operating loss carryforwards under the same Internal Revenue Code provision.

The Company has incurred research and development ("R&D") expenses, a portion of which may qualify for R&D tax credits. The Company has not conducted an R&D credit study to quantify the amount of the credit and has not claimed any R&D tax credit on its Federal income tax returns. The Company may conduct such a study in future years and may establish the R&D credit carryforward for prior years. In such an event, the net operating loss carryforward for Federal income tax purposes would be correspondingly reduced by the amount of the credit.

At December 31, 2015, the Company has New Jersey net operating loss carryforwards (“NJ NOLs”) in the approximate amount of \$22,466,000 expiring through 2035, which are available to reduce future earnings which would otherwise be subject to state income tax. In 2013, the Company received approval for the sale of approximately \$10.3 million of NJ NOLs, subject to a 7.4% seller’s allocation factor (\$760,000, net) for approximately \$63,000. As such, the Company reversed the valuation allowance related to these NJ NOLs in 2013. In January 2014, the Company received approximately \$63,000 in cash proceeds.

The Company has net deferred tax assets of approximately \$25,318,000 and \$29,466,000 at December 31, 2014 and 2015, respectively. The increase in the deferred tax asset is primarily attributable to the net operating losses. The Company had other temporary differences between financial and tax reporting for stock-based compensation, fixed asset depreciation expense, deferred revenue, deferred expenses, bad debt reserves, inventory reserves, warranty reserves and acquisition-related expenses.

The Company has elected to use the incremental approach for financial statement purposes. Under this approach, the Company will utilize net operating loss carryforwards before utilizing excess benefit from exercise of options during the current year. The Company has provided a valuation allowance against the full amount of its deferred tax asset, net of the benefit expected to be derived from the sale of the NJ NOLs discussed above. The valuation allowance was established because of the uncertainty of realization of the deferred tax assets due to lack of sufficient history of generating taxable income. Realization is dependent upon generating sufficient taxable income prior to the expiration of the net operating loss carryforwards in future periods. The valuation allowance increased in 2013, 2014 and 2015 by \$2,344,000, \$3,845,000 and \$4,148,000, respectively.

Loss before income taxes consists of the following:

	<u>Year Ended December 31,</u>		
	<u>2013</u>	<u>2014</u>	<u>2015</u>
U.S. operations.....	\$ (7,140,000)	\$ (11,650,000)	\$ (9,216,000)
Foreign operations	(422,000)	75,000	(736,000)
	<u>\$ (7,562,000)</u>	<u>\$ (11,575,000)</u>	<u>\$ (9,952,000)</u>

The difference between income taxes at the statutory federal income tax rate and income taxes reported in the Consolidated Statements of Operations is attributable to the following:

	<u>Year Ended December 31,</u>		
	<u>2013</u>	<u>2014</u>	<u>2015</u>
Income tax benefit at the federal statutory rate.....	\$ (2,550,000)	\$ (3,936,000)	\$ (3,384,000)
State and local income taxes, net of effect on federal taxes.....	(646,000)	(919,000)	(791,000)
Increase (decrease) in valuation allowance.....	2,440,000	3,845,000	4,148,000
Incentive stock options	223,000	331,000	(104,000)
Expiration and adjustment on sale of state net operating loss.....	452,000	564,000	-
Permanent differences and other.....	18,000	115,000	131,000
	<u>\$ (63,000)</u>	<u>\$ -</u>	<u>\$ -</u>

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2014 and 2015 are presented below:

	December 31,	
	<u>2014</u>	<u>2015</u>
Deferred tax assets:		
Net operating loss carryforwards	\$ 18,245,000	\$ 22,865,000
Stock-based compensation.....	1,350,000	1,316,000
Deferred revenue	4,349,000	5,263,000
Intangibles, amortization	1,292,000	1,126,000
Inventories	780,000	273,000
Acquisition related expenses	380,000	342,000
Bad debt reserve	590,000	635,000
Other deductible temporary differences.....	<u>648,000</u>	<u>481,000</u>
Total gross deferred tax assets	27,634,000	32,301,000
Less: Valuation allowance	<u>(25,318,000)</u>	<u>(29,466,000)</u>
	<u>2,316,000</u>	<u>2,835,000</u>
Deferred tax liabilities:		
Deferred expenses.....	(2,299,000)	(2,790,000)
Fixed assets, depreciation	<u>(17,000)</u>	<u>(45,000)</u>
	<u>(2,316,000)</u>	<u>(2,835,000)</u>
Net deferred tax assets	<u>\$ -</u>	<u>\$ -</u>

NOTE 18 - WHOLLY OWNED FOREIGN SUBSIDIARIES

The financial statements of the Company's wholly owned German subsidiary, I.D. Systems GmbH ("IDS GmbH"), and United Kingdom subsidiary, I.D. Systems (UK) Ltd ("IDS Ltd"), are consolidated with the financial statements of I.D. Systems, Inc.

The net revenue and net loss for IDS GmbH included in the Consolidated Statement of Operations are as follows:

	Year Ended December 31,		
	<u>2013</u>	<u>2014</u>	<u>2015</u>
Net revenue.....	\$ 1,128,000	\$ 4,194,000	\$ 1,212,000
Net (loss) income.....	(395,000)	618,000	(303,000)

Total assets of IDS GmbH were \$4,235,000 and \$2,549,000 as of December 31, 2014 and 2015, respectively. IDS GmbH operates in a local currency environment using the Euro as its functional currency.

The net revenue and net loss for IDS Ltd included in the consolidated statement of operations are as follows:

	Year Ended December 31,		
	<u>2013</u>	<u>2014</u>	<u>2015</u>
Net revenue.....	\$ 1,643,000	\$ 380,000	\$ 434,000
Net loss	(27,000)	(543,000)	(433,000)

Total assets of IDS Ltd were \$1,937,000 and \$1,317,000 as of December 31, 2014 and 2015, respectively. IDS Ltd operates in a local currency environment using the British Pound as its functional currency.

NOTE 19 - REDUCTION IN WORK FORCE

On July 31, 2015, the Company eliminated 27 positions, representing approximately 20% of our total personnel. In order to earn a severance payment, affected employees were required to execute a general release agreement. Total severance costs incurred during the year ended December 31, 2015 were \$280,000, of which \$30,000 is included in research and development expenses and \$250,000 is included in selling, general and administrative expenses in the consolidated statement of operations. As of December 31, 2015, these costs have been paid.

NOTE 20 - COMMITMENTS AND CONTINGENCIES

Except for normal operating leases, the Company is not currently subject to any material commitments.

[A] Contingencies:

The Company is not currently subject to any material commitments and legal proceedings, nor, to management's knowledge, is any material legal proceeding threatened against the Company.

[B] Severance agreements:

The Company entered into severance agreements with three of its executive officers. The severance agreements, each of which is substantially identical in form, provide each executive with certain severance and change in control benefits upon the occurrence of a "Trigger Event," as defined in the severance agreements. As a condition to the Company's obligations under the severance agreements, each executive has executed and delivered to the Company a restrictive covenants agreement.

Under the terms of the severance agreements, in general, each executive is entitled to the following: (i) a cash payment at the rate of the executive's annual base salary as in effect immediately prior to the Trigger Event for a period of 12, 15 or 18 months, depending on the executive, (ii) continued healthcare coverage during the severance period, (iii) partial accelerated vesting of the executive's previously granted stock options and restricted stock awards, and (iv) an award of "Performance Shares" under the Restricted Stock Unit Award Agreement previously entered into between the Company and the executive.

On March 21, 2014, the Company and its former Chief Executive Officer (the "Former CEO") entered into a Separation and General Release Agreement (the "Separation Agreement"). Under the terms of the Separation Agreement, the Company recognized severance costs of \$523,000 in the first quarter of 2014 which are included in selling, general and administrative expenses. In addition, the vesting of the Former CEO's unvested stock options and restricted stock were accelerated and the term to exercise the stock options was extended to fifteen (15) months from March 2, 2014, the date of the Former CEO's separation from the Company. Due to the modification of the terms of the stock option and restricted stock agreements, the Company recognized \$327,000 of additional stock-based compensation expense in the first quarter of 2014.

[C] Operating leases:

The office leases for the Company's executive offices in Woodcliff Lake, New Jersey and sales and administrative office in Plano, Texas, which expire in February 2021 also provide for escalations relating to increases in real estate taxes and certain operating expenses. In addition, the Company leases sales and administrative offices in Milton Keynes, United Kingdom and Dusseldorf, Germany. The Company's operating leases provide for minimum annual rental payments as follows:

<u>Year Ending December 31,</u>	
2016.....	\$ 790,000
2017.....	866,000
2018.....	882,000
2019.....	888,000
2020.....	893,000
Thereafter	<u>150,000</u>
	<u>\$ 4,469,000</u>

Minimum rent payments under operating leases are recognized on a straight-line basis over the term of the lease including any periods of free rent. Rental expense for operating leases was approximately \$840,000, \$805,000 and \$860,000 for the years ended December 31, 2013, 2014 and 2015, respectively.

NOTE 21 - QUARTERLY SELECTED FINANCIAL DATA (UNAUDITED)

The following tables contain selected quarterly financial data for each quarter for the years ended December 31, 2014 and 2015. We believe the following information reflects all normal recurring adjustments necessary for a fair presentation of the information for the periods presented. The operating results for any period are not necessarily indicative of results for any future periods.

	Year Ended December 31, 2015			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Revenues:				
Products	\$ 6,871,000	\$ 4,993,000	\$ 6,947,000	\$ 5,720,000
Services.....	<u>4,249,000</u>	<u>4,933,000</u>	<u>3,634,000</u>	<u>4,437,000</u>
	<u>11,120,000</u>	<u>9,926,000</u>	<u>10,581,000</u>	<u>10,157,000</u>
Cost of revenues:				
Cost of products.....	5,223,000	3,491,000	4,929,000	4,375,000
Cost of services.....	<u>1,949,000</u>	<u>2,309,000</u>	<u>1,296,000</u>	<u>1,189,000</u>
	<u>7,172,000</u>	<u>5,800,000</u>	<u>6,225,000</u>	<u>5,564,000</u>
Gross Profit.....	3,948,000	4,126,000	4,356,000	4,593,000
Selling, general and administrative expenses	6,769,000	6,225,000	5,207,000	4,549,000
Research and development expenses	1,229,000	1,120,000	1,114,000	1,093,000
Other income, net.....	<u>105,000</u>	<u>77,000</u>	<u>70,000</u>	<u>79,000</u>
Net loss	<u><u>\$ (3,945,000)</u></u>	<u><u>\$ (3,142,000)</u></u>	<u><u>\$ (1,895,000)</u></u>	<u><u>\$ (970,000)</u></u>
Net loss per share - basic and diluted.....	<u><u>\$ (0.32)</u></u>	<u><u>\$ (0.25)</u></u>	<u><u>\$ (0.15)</u></u>	<u><u>\$ (0.08)</u></u>
	Year Ended December 31, 2014			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Revenues:				
Products	\$ 5,790,000	\$ 7,161,000	\$ 7,292,000	\$ 8,160,000
Services.....	<u>3,946,000</u>	<u>4,252,000</u>	<u>4,447,000</u>	<u>4,585,000</u>
	<u>9,736,000</u>	<u>11,413,000</u>	<u>11,739,000</u>	<u>12,745,000</u>
Cost of revenues:				
Cost of products.....	3,302,000	4,769,000	4,653,000	6,734,000
Cost of services.....	<u>1,450,000</u>	<u>1,520,000</u>	<u>1,615,000</u>	<u>1,584,000</u>
	<u>4,752,000</u>	<u>6,289,000</u>	<u>6,268,000</u>	<u>8,318,000</u>
Gross Profit.....	4,984,000	5,124,000	5,471,000	4,427,000
Selling, general and administrative expenses	6,820,000	5,651,000	6,289,000	6,334,000
Research and development expenses	1,150,000	1,343,000	1,770,000	2,386,000
Loss on settlement of finance receivable	-	-	-	(441,000)
Other income, net.....	<u>155,000</u>	<u>165,000</u>	<u>144,000</u>	<u>139,000</u>
Net loss	<u><u>\$ (2,831,000)</u></u>	<u><u>\$ (1,705,000)</u></u>	<u><u>\$ (2,444,000)</u></u>	<u><u>\$ (4,595,000)</u></u>
Net loss per share - basic and diluted.....	<u><u>\$ (0.24)</u></u>	<u><u>\$ (0.14)</u></u>	<u><u>\$ (0.20)</u></u>	<u><u>\$ (0.38)</u></u>

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

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) are controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission (the “SEC”). Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the reports that we file under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and our principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. Due to the inherent limitations of control systems, not all misstatements may be detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. Controls and procedures can only provide reasonable, not absolute, assurance that the above objectives have been met.

As of December 31, 2015, we carried out an evaluation, with the participation of our management, including our principal executive officer and our principal financial officer, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on that evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective, at the reasonable assurance level, in ensuring that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms and is accumulated and communicated to our management, including our principal executive officer and our principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Management’s Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness, as of December 31, 2015, of our internal control over financial reporting based on the framework in 2013 Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under this framework, our management concluded that our internal control over financial reporting was effective as of December 31, 2015.

Item 9B. Other Information

None.

PART III.

Item 10. Directors, Executive Officers and Corporate Governance

The Company incorporates by reference herein information to be set forth in its definitive proxy statement for its 2016 annual meeting of stockholders that is responsive to the information required with respect to this Item 10; provided, however, that such information shall not be incorporated herein:

- if the information that is responsive to the information required with respect to this Item 10 is provided by means of an amendment to this Annual Report on Form 10-K filed with the SEC prior to the filing of such definitive proxy statement; or
- if such proxy statement is not filed with the SEC within 120 days after the end of the Company's most recently completed fiscal year, in which case the Company will provide such information by means of an amendment to this Annual Report on Form 10-K filed with the SEC within such 120-day period.

Item 11. Executive Compensation

The Company incorporates by reference herein information to be set forth in its definitive proxy statement for its 2016 annual meeting of stockholders that is responsive to the information required with respect to this Item 11; provided, however, that such information shall not be incorporated herein:

- if the information that is responsive to the information required with respect to this Item 11 is provided by means of an amendment to this Annual Report on Form 10-K filed with the SEC prior to the filing of such definitive proxy statement; or
- if such proxy statement is not filed with the SEC within 120 days after the end of the Company's most recently completed fiscal year, in which case the Company will provide such information by means of an amendment to this Annual Report on Form 10-K filed with the SEC.

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

The Company incorporates by reference herein information to be set forth in its definitive proxy statement for its 2016 annual meeting of stockholders that is responsive to the information required with respect to this Item 12; provided, however, that such information shall not be incorporated herein:

- if the information that is responsive to the information required with respect to this Item 12 is provided by means of an amendment to this Annual Report on Form 10-K filed with the SEC prior to the filing of such definitive proxy statement; or
- if such proxy statement is not filed with the SEC within 120 days after the end of the Company's most recently completed fiscal year, in which case the Company will provide such information by means of an amendment to this Annual Report on Form 10-K filed with the SEC within such 120-day period.

Securities Authorized for Issuance Under Equity Compensation Plans.

The following table provides certain information with respect to the Company's equity compensation plans in effect as of December 31, 2015:

EQUITY COMPENSATION PLAN INFORMATION

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected under column (a)) (c)
Equity compensation plans approved by security holders (1).....	1,112,000	\$ 7.09	1,384,000
Equity compensation plans not approved by security holders (2).....	100,000	5.24	-
Total.....	<u>1,212,000</u>	<u>\$ 6.94</u>	<u>1,384,000</u>

- (1) These plans consist of the Company's 1999 Stock Option Plan, 1999 Director Option Plan, 2007 Equity Compensation Plan, 2009 Non-Employee Director Equity Compensation Plan and 2015 Equity Compensation Plan, which were our only equity compensation plans under which awards were outstanding as of December 31, 2015. Each of our 1999 Stock Option Plan and 1999 Director Option Plan expired in 2009, and no additional awards may be granted thereunder.
- (2) Represents options to purchase up to 100,000 shares of our common stock, at \$5.24 per share, granted to Norman L. Ellis on July 21, 2014, in connection with his appointment to serve as our Chief Operating Officer. One-third of the options will vest on each anniversary of the date of grant provided that Mr. Ellis continues to be an employee of our company on each such anniversary. The options are subject to the terms and conditions of a stock option grant agreement, dated July 21, 2014, between us and Mr. Ellis.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The Company incorporates by reference herein information to be set forth in its definitive proxy statement for its 2016 annual meeting of stockholders that is responsive to the information required with respect to this Item 13; provided, however, that such information shall not be incorporated herein:

- if the information that is responsive to the information required with respect to this Item 13 is provided by means of an amendment to this Annual Report on Form 10-K filed with the SEC prior to the filing of such definitive proxy statement; or
- if such proxy statement is not filed with the SEC within 120 days after the end of the Company's most recently completed fiscal year, in which case the Company will provide such information by means of an amendment to this Annual Report on Form 10-K filed with the SEC within such 120-day period.

Item 14. Principal Accounting Fees and Services

The Company incorporates by reference herein information to be set forth in its definitive proxy statement for its 2016 annual meeting of stockholders that is responsive to the information required with respect to this Item 14; provided, however, that such information shall not be incorporated herein:

- if the information that is responsive to the information required with respect to this Item 14 is provided by means of an amendment to this Annual Report on Form 10-K filed with the SEC prior to the filing of such definitive proxy statement; or
- if such proxy statement is not filed with the SEC within 120 days after the end of the Company's most recently completed fiscal year, in which case the Company will provide such information by means of an amendment to this Annual Report on Form 10-K filed with the SEC within such 120-day period.

PART IV.

Item 15. Exhibits, Financial Statement Schedules

(a) List of Financial Statements, Financial Statement Schedules, and Exhibits.

(1) Financial Statements. The following financial statements of I.D. Systems, Inc. are included in Item 8 of Part II of this Annual Report on Form 10-K:

Report of Independent Registered Public Accounting Firm	46
Consolidated Balance Sheets at December 31, 2014 and 2015	47
Consolidated Statements of Operations for the Years Ended December 31, 2013, 2014 and 2015	48
Consolidated Statements of Comprehensive Loss for the Years Ended December 31, 2013, 2014 and 2015	49
Consolidated Statements of Changes in Stockholders' Equity for the Years Ended December 31, 2013, 2014 and 2015	50
Consolidated Statements of Cash Flows for the Years Ended December 31, 2013, 2014 and 2015	51
Notes to the Consolidated Financial Statements.....	52

(2) Financial Statement Schedules.

Schedule II - Valuation and Qualifying Accounts

All other financial statement schedules are omitted from this Annual Report on Form 10-K, as they are not required or applicable or the required information is included in the financial statements or notes thereto.

(3) Exhibits. The following exhibits are filed with this Annual Report on Form 10-K or are incorporated herein by reference, as indicated.

- 2.1 Membership Interest Purchase Agreement, dated as of January 7, 2010, by and among I.D. Systems, Inc., General Electric Capital Corporation and GE Asset Intelligence, LLC (incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K of I.D. Systems, Inc. (File No. 001-15087) filed with the SEC on January 13, 2010).
- 3.1.1 Restated Certificate of Incorporation of I.D. Systems, Inc., as amended (incorporated by reference to Exhibit 3.1 to Amendment No. 3 to the Registration Statement on Form SB-2 of I.D. Systems, Inc. (File No. 333-76947) filed with the SEC on June 28, 1999).
- 3.1.2 Certificate of Amendment to the Restated Certificate of Incorporation of I.D. Systems (incorporated by reference to Exhibit 4.2 to the Registration Statement on Form S-8 of I.D. Systems, Inc. (File No. 333-144709) filed with the SEC on July 19, 2007).
- 3.1.3 Certificate of Correction to the Restated Certificate of Incorporation of I.D. Systems (incorporated by reference to Exhibit 4.2 to the Registration Statement on Form S-8 of I.D. Systems, Inc. (File No. 333-144709) filed with the SEC on July 19, 2007).
- 3.1.4 Certificate of Designation for the Series A Junior Participating Preferred Stock (incorporated by reference to Exhibit 3.3 to the Current Report on Form 8-K of I.D. Systems, Inc. (File No. 001-15087) filed with the SEC on July 8, 2009).
- 3.1.5 Certificate of Amendment of Amended and Restated Certificate of Incorporation of I.D. Systems, Inc., as amended (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K of I.D. Systems, Inc. (File No. 001-15087) filed with the SEC on June 25, 2015).
- 3.2 Restated By-Laws of I.D. Systems, Inc. (incorporated by reference to Exhibit 3.2 to Amendment No. 3 to the Registration Statement on Form SB-2 of I.D. Systems, Inc. (File No. 333-76947) filed with the SEC on June 28, 1999).

- 4.1 Specimen Certificate of I.D. Systems, Inc.'s Common Stock (incorporated by reference to Exhibit 4.1 to Amendment No. 3 to the Registration Statement on Form SB-2 of I.D. Systems, Inc. (File No. 333-76947) filed with the SEC on June 28, 1999).
- 10.1 1995 Non-Qualified Stock Option Plan (incorporated by reference to Exhibit 10.5 to the Registration Statement on Form SB-2 of I.D. Systems, Inc. (File No. 333-76947) filed with the SEC on April 23, 1999).*
- 10.2 1999 Stock Option Plan (incorporated by reference to Exhibit 10.6 to the Registration Statement on Form SB-2 of I.D. Systems, Inc. (File No. 333-76947) filed with the SEC on April 23, 1999).*
- 10.3.1 1999 Director Option Plan (incorporated by reference to Exhibit 10.10 to Amendment No. 2 to the Registration Statement on Form SB-2 of I.D. Systems, Inc. (File No. 333-76947) filed with the SEC on June 8, 1999).*
- 10.3.2 Amendment, dated March 15, 2012, to 1999 Director Option Plan (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q of I.D. Systems, Inc. for the fiscal quarter ended March 31, 2012 (File No. 001-15087) filed with the SEC on May 14, 2012).*
- 10.4 I.D. Systems, Inc. 2007 Equity Compensation Plan, as amended (incorporated by reference to Exhibit 99.1 to the Registration Statement on Form S-8 of I.D. Systems, Inc. (File No. 333-185085) filed with the SEC on November 21, 2012).*
- 10.5.1 2009 Non-Employee Director Equity Compensation Plan (incorporated by reference to Exhibit 10.5 to the Quarterly Report on Form 10-Q of I.D. Systems, Inc. (File No. 001-15087) filed with the SEC on November 6, 2009).*
- 10.5.2 Amendment, dated March 16, 2012, to 2009 Non-Employee Director Equity Compensation Plan (incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q of I.D. Systems, Inc. for the fiscal quarter ended March 31, 2012 (File No. 001-15087) filed with the SEC on May 14, 2012).*
- 10.6 I.D. Systems, Inc. 2015 Equity Compensation Plan (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of I.D. Systems, Inc. (File No. 001-15087) filed with the SEC on June 25, 2015).*
- 10.7 Severance Agreement, dated September 11, 2009, by and between I.D. Systems, Inc. and Jeffrey Jagid (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q of I.D. Systems, Inc. for the fiscal quarter ended September 30, 2009 (File No. 001-15087) filed with the SEC on November 6, 2009).*
- 10.8 Severance Agreement, dated September 11, 2009, by and between the Company and Ned Mavrommatis (incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q of I.D. Systems, Inc. for the fiscal quarter ended September 30, 2009 (File No. 001-15087) filed with the SEC on November 6, 2009).*
- 10.9 Severance Agreement, dated September 11, 2009, by and between the Company and Kenneth Ehrman (incorporated by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q of I.D. Systems, Inc. for the fiscal quarter ended September 30, 2009 (File No. 001-15087) filed with the SEC on November 6, 2009).*
- 10.10 Amendment to Severance Agreement, dated as of June 20, 2013, between I.D. Systems, Inc. and Kenneth Ehrman (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q of I.D. Systems, Inc. for the fiscal quarter ended June 30, 2013 (File No. 001-15087) filed with the SEC on August 14, 2013).*
- 10.11 Severance Agreement, dated September 11, 2009, by and between the Company and Michael Ehrman (incorporated by reference to Exhibit 10.4 to the Quarterly Report on Form 10-Q of I.D. Systems, Inc. for the fiscal quarter ended September 30, 2009 (File No. 001-15087) filed with the SEC on November 6, 2009).*
- 10.12 Office Lease Agreement, dated as of May 10, 2010, by and between IPC New York Properties, LLC, as Landlord, and I.D. Systems, Inc., as Tenant (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q of I.D. Systems, Inc. for the fiscal quarter ended March 31, 2010 (File No. 001-15087) filed with the SEC on May 17, 2010).
- 10.13 Severance Agreement, dated December 14, 2010, by and between the Company and Darryl Miller (incorporated by reference to Exhibit 10.12 to the Annual Report on Form 10-K of I.D. Systems, Inc. for the fiscal year ended December 31, 2010 (File No. 001-15087) filed with the SEC on March 31, 2011).*

- 10.14 Separation and General Release Agreement, dated as of July 19, 2013, between I.D. Systems, Inc. and Darryl Miller (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q of I.D. Systems, Inc. for the fiscal quarter ended September 30, 2013 (File No. 001-15087) filed with the SEC on November 14, 2013).*
- 10.15 Separation and General Release Agreement, dated as of March 21, 2014, between Jeffrey M. Jagid and I.D. Systems, Inc. (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of I.D. Systems, Inc. (File No. 001-15087) filed with the SEC on March 27, 2014).*
- 10.16 Severance Agreement, dated as of March 27, 2014, between Brett Kilpatrick and I.D. Systems, Inc. (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K of I.D. Systems, Inc. (File No. 001-15087) filed with the SEC on March 27, 2014).*
- 10.17 Offer Letter, dated July 21, 2014, between I.D. Systems, Inc. and Norman L. Ellis (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of I.D. Systems, Inc. (File No. 001-15087) filed with the SEC on July 22, 2014).*
- 10.18 Stock Option Grant Agreement, dated July 21, 2014, between I.D. Systems, Inc. and Norman L. Ellis (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K of I.D. Systems, Inc. (File No. 001-15087) filed with the SEC on July 22, 2014).*
- 10.19 Sublease Agreement, dated as of July 14, 2011, by and between AirSure Limited, LLC, as Sublessor, and Asset Intelligence, LLC, as Sublessee (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q of I.D. Systems, Inc. for the fiscal quarter ended June 30, 2011 (File No. 001-15087) filed with the SEC on August 12, 2011).
- 10.20 Amendment No. 1 to Sublease Agreement, dated as of July 14, 2011, by and between AirSure Limited, LLC, as Sublessor, and Asset Intelligence, LLC, as Sublessee (incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q of I.D. Systems, Inc. for the fiscal quarter ended June 30, 2011 (File No. 001-15087) filed with the SEC on August 12, 2011).
- 10.21 Guaranty of Sublease, dated as of July 14, 2011, made by I.D. Systems, Inc., in favor of AirSure Limited, LLC (incorporated by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q of I.D. Systems, Inc. for the fiscal quarter ended June 30, 2011 (File No. 001-15087) filed with the SEC on August 12, 2011).
- 10.22 Purchase Agreement, dated as of August 22, 2011, by and between I.D. Systems, Inc. and Avis Budget Group, Inc. (incorporated by reference to Exhibit 99.1 to the Current Report on Form 8-K of I.D. Systems, Inc. (File No. 001-15087) filed with the SEC on August 23, 2011).
- 10.23 Warrant to Purchase Common Stock (incorporated by reference to Exhibit 99.2 to the Current Report on Form 8-K of I.D. Systems, Inc. (File No. 001-15087) filed with the SEC on August 23, 2011).
- 10.24 Lease Agreement, dated April 9, 2015, between I.D. Systems, Inc. and GP Park II, LLC (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of I.D. Systems, Inc. (File No. 001-15087) filed with the SEC on April 10, 2015).
- 10.25 Loan and Security Agreement, dated as of December 18, 2015, among I.D. Systems, Inc. and Asset Intelligence, LLC, as Borrowers, Siena Lending Group LLC and the other loan party obligors party thereto from time to time (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of I.D. Systems, Inc. (File No. 001-15087) filed with the SEC on December 23, 2015).
- 21.1 List of Subsidiaries (filed herewith).
- 23.1 Consent of EisnerAmper LLP (filed herewith).
- 31.1 Certification of President and Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
- 31.2 Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
- 32.1 Certification of President and Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).

32.2 Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).

101.INS XBRL Instance Document.

101.SCH XBRL Taxonomy Extension Schema Document.

101.CAL XBRL Taxonomy Extension Calculation Linkbase Document.

101.DEF XBRL Taxonomy Extension Definition Linkbase Document.

101.LAB XBRL Taxonomy Extension Label Linkbase Document.

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document.

* Management contract or compensatory plan or arrangement.

(b) Exhibits. The exhibits required by Item 601 of Regulation S-K are filed herewith or incorporated herein by reference. Please see the Index to Exhibits to this Annual Report on Form 10-K, which is incorporated into this Item 15(b) by reference.

SIGNATURES

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

Date: March 29, 2016

I.D. SYSTEMS, INC.

By: /s/ Kenneth S. Ehrman

Kenneth S. Ehrman
President and Chief Executive Officer
(Principal Executive Officer)

By: /s/ Ned Mavrommatis

Ned Mavrommatis
Chief Financial Officer
(Principal Financial and Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report is signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Kenneth S. Ehrman</u> Kenneth S. Ehrman	President, Chief Executive Officer and Director (Principal Executive Officer)	March 29, 2016
<u>/s/ Ned Mavrommatis</u> Ned Mavrommatis	Chief Financial Officer (Principal Financial and Accounting Officer)	March 29, 2016
<u>/s/ Kenneth Brakebill</u> Kenneth Brakebill	Director	March 29, 2016
<u>/s/ Michael Brodsky</u> Michael Brodsky	Director	March 29, 2016
<u>/s/ Ron Konezny</u> Ron Konezny	Director	March 29, 2016
<u>/s/ Tony Troussel</u> Tony Troussel	Director	March 29, 2016

I.D. SYSTEMS, INC. AND SUBSIDIARIES
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
(In thousands)

<u>Description</u>	<u>Balance at Beginning Period</u>	<u>Charged to (Write-off) Costs and Expenses</u>	<u>Other Additions Or (Deductions)</u>	<u>Balance at End of Period</u>
Inventory reserve				
Year ended December 31, 2015.....	\$ 1,424	\$ 186	(1,236)	\$ 374
Year ended December 31, 2014.....	\$ 2,256	\$ 122	(954)	\$ 1,424
Year ended December 31, 2013.....	\$ 686	\$ 2,066	(496)	\$ 2,256

<u>Description</u>	<u>Balance at Beginning Period</u>	<u>Charged to (Write-off) to Costs and Expenses</u>	<u>Other Additions Or (Deductions)</u>	<u>Balance at End of Period</u>
Allowance for doubtful accounts				
Year ended December 31, 2015.....	\$ 1,434	\$ 326	(248)	\$ 1,512
Year ended December 31, 2014.....	\$ 955	\$ 853	(374)	\$ 1,434
Year ended December 31, 2013.....	\$ 653	\$ 482	(180)	\$ 955

<u>Description</u>	<u>Balance at Beginning Period</u>	<u>Charged to (Write-off) to Costs and Expenses</u>	<u>Other Additions Or (Deductions)</u>	<u>Balance at End of Period</u>
Warranty reserve				
Year ended December 31, 2015.....	\$ 942	\$ (28)	(300)	\$ 614
Year ended December 31, 2014.....	\$ 522	\$ 638	(218)	\$ 942
Year ended December 31, 2013.....	\$ 520	\$ 235	(233)	\$ 522

INDEX TO EXHIBITS

- 2.1 Membership Interest Purchase Agreement, dated as of January 7, 2010, by and among I.D. Systems, Inc., General Electric Capital Corporation and GE Asset Intelligence, LLC (incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K of I.D. Systems, Inc. (File No. 001-15087) filed with the SEC on January 13, 2010).
- 3.1.1 Restated Certificate of Incorporation of I.D. Systems, Inc., as amended (incorporated by reference to Exhibit 3.1 to Amendment No. 3 to the Registration Statement on Form SB-2 of I.D. Systems, Inc. (File No. 333-76947) filed with the SEC on June 28, 1999).
- 3.1.2 Certificate of Amendment to the Restated Certificate of Incorporation of I.D. Systems (incorporated by reference to Exhibit 4.2 to the Registration Statement on Form S-8 of I.D. Systems, Inc. (File No. 333-144709) filed with the SEC on July 19, 2007).
- 3.1.3 Certificate of Correction to the Restated Certificate of Incorporation of I.D. Systems (incorporated by reference to Exhibit 4.2 to the Registration Statement on Form S-8 of I.D. Systems, Inc. (File No. 333-144709) filed with the SEC on July 19, 2007).
- 3.1.4 Certificate of Designation for the Series A Junior Participating Preferred Stock (incorporated by reference to Exhibit 3.3 to the Current Report on Form 8-K of I.D. Systems, Inc. (File No. 001-15087) filed with the SEC on July 8, 2009).
- 3.1.5 Certificate of Amendment of Amended and Restated Certificate of Incorporation of I.D. Systems, Inc., as amended (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K of I.D. Systems, Inc. (File No. 001-15087) filed with the SEC on June 25, 2015).
- 3.2 Restated By-Laws of I.D. Systems, Inc. (incorporated by reference to Exhibit 3.2 to Amendment No. 3 to the Registration Statement on Form SB-2 of I.D. Systems, Inc. (File No. 333-76947) filed with the SEC on June 28, 1999).
- 4.1 Specimen Certificate of I.D. Systems, Inc.'s Common Stock (incorporated by reference to Exhibit 4.1 to Amendment No. 3 to the Registration Statement on Form SB-2 of I.D. Systems, Inc. (File No. 333-76947) filed with the SEC on June 28, 1999).
- 10.1 1995 Non-Qualified Stock Option Plan (incorporated by reference to Exhibit 10.5 to the Registration Statement on Form SB-2 of I.D. Systems, Inc. (File No. 333-76947) filed with the SEC on April 23, 1999).*
- 10.2 1999 Stock Option Plan (incorporated by reference to Exhibit 10.6 to the Registration Statement on Form SB-2 of I.D. Systems, Inc. (File No. 333-76947) filed with the SEC on April 23, 1999).*
- 10.3.1 1999 Director Option Plan (incorporated by reference to Exhibit 10.10 to Amendment No. 2 to the Registration Statement on Form SB-2 of I.D. Systems, Inc. (File No. 333-76947) filed with the SEC on June 8, 1999).*
- 10.3.2 Amendment, dated March 15, 2012, to 1999 Director Option Plan (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q of I.D. Systems, Inc. for the fiscal quarter ended March 31, 2012 (File No. 001-15087) filed with the SEC on May 14, 2012).*
- 10.4 I.D. Systems, Inc. 2007 Equity Compensation Plan, as amended (incorporated by reference to Exhibit 99.1 to the Registration Statement on Form S-8 of I.D. Systems, Inc. (File No. 333-185085) filed with the SEC on November 21, 2012).*
- 10.5.1 2009 Non-Employee Director Equity Compensation Plan (incorporated by reference to Exhibit 10.5 to the Quarterly Report on Form 10-Q of I.D. Systems, Inc. (File No. 001-15087) filed with the SEC on November 6, 2009).*
- 10.5.2 Amendment, dated March 16, 2012, to 2009 Non-Employee Director Equity Compensation Plan (incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q of I.D. Systems, Inc. for the fiscal quarter ended March 31, 2012 (File No. 001-15087) filed with the SEC on May 14, 2012).*

- 10.6 I.D. Systems, Inc. 2015 Equity Compensation Plan (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of I.D. Systems, Inc. (File No. 001-15087) filed with the SEC on June 25, 2015).*
- 10.7 Severance Agreement, dated September 11, 2009, by and between I.D. Systems, Inc. and Jeffrey Jagid (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q of I.D. Systems, Inc. for the fiscal quarter ended September 30, 2009 (File No. 001-15087) filed with the SEC on November 6, 2009).*
- 10.8 Severance Agreement, dated September 11, 2009, by and between the Company and Ned Mavrommatis (incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q of I.D. Systems, Inc. for the fiscal quarter ended September 30, 2009 (File No. 001-15087) filed with the SEC on November 6, 2009).*
- 10.9 Severance Agreement, dated September 11, 2009, by and between the Company and Kenneth Ehrman (incorporated by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q of I.D. Systems, Inc. for the fiscal quarter ended September 30, 2009 (File No. 001-15087) filed with the SEC on November 6, 2009).*
- 10.10 Amendment to Severance Agreement, dated as of June 20, 2013, between I.D. Systems, Inc. and Kenneth Ehrman (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q of I.D. Systems, Inc. for the fiscal quarter ended June 30, 2013 (File No. 001-15087) filed with the SEC on August 14, 2013).*
- 10.11 Severance Agreement, dated September 11, 2009, by and between the Company and Michael Ehrman (incorporated by reference to Exhibit 10.4 to the Quarterly Report on Form 10-Q of I.D. Systems, Inc. for the fiscal quarter ended September 30, 2009 (File No. 001-15087) filed with the SEC on November 6, 2009).*
- 10.12 Office Lease Agreement, dated as of May 10, 2010, by and between IPC New York Properties, LLC, as Landlord, and I.D. Systems, Inc., as Tenant (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q of I.D. Systems, Inc. for the fiscal quarter ended March 31, 2010 (File No. 001-15087) filed with the SEC on May 17, 2010).
- 10.13 Severance Agreement, dated December 14, 2010, by and between the Company and Darryl Miller (incorporated by reference to Exhibit 10.12 to the Annual Report on Form 10-K of I.D. Systems, Inc. for the fiscal year ended December 31, 2010 (File No. 001-15087) filed with the SEC on March 31, 2011).*
- 10.14 Separation and General Release Agreement, dated as of July 19, 2013, between I.D. Systems, Inc. and Darryl Miller (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q of I.D. Systems, Inc. for the fiscal quarter ended September 30, 2013 (File No. 001-15087) filed with the SEC on November 14, 2014).*
- 10.15 Separation and General Release Agreement, dated as of March 21, 2014, between Jeffrey M. Jagid and I.D. Systems, Inc. (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of I.D. Systems, Inc. (File No. 001-15087) filed with the SEC on March 27, 2014).*
- 10.16 Severance Agreement, dated as of March 27, 2014, between Brett Kilpatrick and I.D. Systems, Inc. (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K of I.D. Systems, Inc. (File No. 001-15087) filed with the SEC on March 27, 2014).*
- 10.17 Offer Letter, dated July 21, 2014, between I.D. Systems, Inc. and Norman L. Ellis (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of I.D. Systems, Inc. (File No. 001-15087) filed with the SEC on July 22, 2014).*
- 10.18 Stock Option Grant Agreement, dated July 21, 2014, between I.D. Systems, Inc. and Norman L. Ellis (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K of I.D. Systems, Inc. (File No. 001-15087) filed with the SEC on July 22, 2014).*
- 10.19 Sublease Agreement, dated as of July 14, 2011, by and between AirSure Limited, LLC, as Sublessor, and Asset Intelligence, LLC, as Sublessee (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q of I.D. Systems, Inc. for the fiscal quarter ended June 30, 2011 (File No. 001-15087) filed with the SEC on August 12, 2011).
- 10.20 Amendment No. 1 to Sublease Agreement, dated as of July 14, 2011, by and between AirSure Limited, LLC, as Sublessor, and Asset Intelligence, LLC, as Sublessee (incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q of I.D. Systems, Inc. for the fiscal quarter ended June 30, 2011 (File No. 001-15087) filed with the SEC on August 12, 2011).

- 10.21 Guaranty of Sublease, dated as of July 14, 2011, made by I.D. Systems, Inc., in favor of AirSure Limited, LLC (incorporated by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q of I.D. Systems, Inc. for the fiscal quarter ended June 30, 2011 (File No. 001-15087) filed with the SEC on August 12, 2011).
- 10.22 Purchase Agreement, dated as of August 22, 2011, by and between I.D. Systems, Inc. and Avis Budget Group, Inc. (incorporated by reference to Exhibit 99.1 to the Current Report on Form 8-K of I.D. Systems, Inc. (File No. 001-15087) filed with the SEC on August 23, 2011).
- 10.23 Warrant to Purchase Common Stock (incorporated by reference to Exhibit 99.2 to the Current Report on Form 8-K of I.D. Systems, Inc. (File No. 001-15087) filed with the SEC on August 23, 2011).
- 10.24 Lease Agreement, dated April 9, 2015, between I.D. Systems, Inc. and GP Park II, LLC (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of I.D. Systems, Inc. (File No. 001-15087) filed with the SEC on April 10, 2015).
- 10.25 Loan and Security Agreement, dated as of December 18, 2015, among I.D. Systems, Inc. and Asset Intelligence, LLC, as Borrowers, Siena Lending Group LLC and the other loan party obligors party thereto from time to time (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of I.D. Systems, Inc. (File No. 001-15087) filed with the SEC on December 23, 2015).
- 21.1 List of Subsidiaries (filed herewith).
- 23.1 Consent of EisnerAmper LLP (filed herewith).
- 31.1 Certification of President and Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
- 31.2 Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
- 32.1 Certification of President and Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).
- 32.2 Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).
- 101.INS XBRL Instance Document.
- 101.SCH XBRL Taxonomy Extension Schema Document.
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document.
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document.
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document.
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document.
- * Management contract or compensatory plan or arrangement.

**I.D. SYSTEMS, INC.
LIST OF SUBSIDIARIES**

Name	Jurisdiction of Formation
Asset Intelligence, LLC	Delaware
I.D. Systems, GmbH	Germany
I.D. Systems (UK) Ltd (formerly Didbox Ltd.)	United Kingdom

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements of I.D. Systems, Inc. on Form S-8 (Nos. 333-87973, 333-134142, 333-134138, 333-144709, 333-185084, 333-185085 and 333-206080) and on Form S-3 (Nos. 333-116144 and 333-187644) of our report dated March 29, 2016 with respect to our audits of the consolidated balance sheets of I.D. Systems, Inc. as of December 31, 2014 and 2015, and the related consolidated statements of operations, comprehensive loss, changes in stockholders' equity, cash flows and schedule for each of the years in the three-year period ended December 31, 2015, which reports appear in the December 31, 2015 annual report on Form 10-K of I.D. Systems, Inc.

/s/ EisnerAmper LLP

Iselin, New Jersey
March 29, 2016

CERTIFICATIONS

I, Kenneth S. Ehrman, as President and Chief Executive Officer (Principal Executive Officer), certify that:

1. I have reviewed this Annual Report on Form 10-K of I.D. Systems, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

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

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

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

Date: March 29, 2016

By: /s/ Kenneth S. Ehrman

Name: Kenneth S. Ehrman

Title: President and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATIONS

I, Ned Mavrommatis, as Chief Financial Officer (Principal Financial Officer), certify that:

1. I have reviewed this Annual Report on Form 10-K of I.D. Systems, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

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

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

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

Date: March 29, 2016

By: /s/ Ned Mavrommatis

Name: Ned Mavrommatis

Title: Chief Financial Officer

(Principal Financial Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K (the "Report") of I.D. Systems, Inc. (the "Corporation") for the year ended December 31, 2015, as filed with the Securities and Exchange Commission on the date hereof, I, Kenneth S. Ehrman, President and Chief Executive Officer of the Corporation, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Dated: March 29, 2016

By: /s/ Kenneth S. Ehrman

Name: Kenneth S. Ehrman

Title: President and Chief Executive Officer

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

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

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K (the "Report") of I.D. Systems, Inc. (the "Corporation") for the year ended December 31, 2015, as filed with the Securities and Exchange Commission on the date hereof, I, Ned Mavrommatis, Chief Financial Officer of the Corporation, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Dated: March 29, 2016

By: /s/ Ned Mavrommatis

Name: Ned Mavrommatis

Title: Chief Financial Officer

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

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

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