U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended: September 30, 2009

or

☐ **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	**22-3270799**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
One University Plaza, Hackensack, New Jersey	**07601**
(Address of principal executive offices)	(Zip Code)

(201) 996-9000
(Issuer's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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 whether the registrant is a large accelerated filer, 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 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 Securities Exchange Act of 1934).

Yes ☐ **No** ☒

The number of shares of the registrant's Common Stock, $0.01 par value per share, outstanding as of the close of business on November 6, 2009 was 11,074,059.

INDEX

I.D. Systems, Inc. and Subsidiary

PART I - FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

I.D. Systems, Inc. and Subsidiary
Condensed Consolidated Balance Sheets

	December 31, 2008*	September 30, 2009 (Unaudited)
ASSETS		
Cash and cash equivalents	$ 12,558,000	**$ 14,496,000**
Restricted cash	230,000	**-**
Investments – short term	8,550,000	**39,861,000**
Accounts receivable, net	8,245,000	**1,938,000**
Unbilled receivables	168,000	**248,000**
Inventory, net	3,273,000	**5,596,000**
Interest receivable	217,000	**245,000**
Prepaid expenses and other current assets	261,000	**611,000**
Total current assets	33,502,000	**62,995,000**
Investments – long term	34,911,000	**9,945,000**
Fixed assets at cost	2,873,000	**2,900,000**
Less: accumulated depreciation	(1,823,000)	**(1,900,000)**
Net fixed assets	1,050,000	**1,000,000**
Goodwill	200,000	**200,000**
Other intangible assets	178,000	**178,000**
Other assets	107,000	**-**
	$ 69,948,000	**$ 74,318,000**
LIABILITIES		
Accounts payable and accrued expenses	$ 2,175,000	**$ 599,000**
Line of credit	-	**12,643,000**
Deferred revenue	424,000	**364,000**
Total current liabilities	2,599,000	**13,606,000**
Deferred revenue	231,000	**517,000**
Deferred rent	33,000	**17,000**
Total liabilities	2,863,000	**14,140,000**
STOCKHOLDERS' EQUITY		
Preferred stock; authorized 5,000,000 shares, $.01 par value; none issued	—	—
Common stock; authorized 50,000,000 shares, $.01 par value; 12,082,000 and 12,284,000 shares issued at December 31, 2008 and September 30, 2009, respectively; shares outstanding, 10,893,000 and 11,075,000 at December 31, 2008 and September 30, 2009, respectively.	120,000	**120,000**
Additional paid-in capital	101,437,000	**103,056,000**
Accumulated deficit	(23,667,000)	**(32,100,000)**
Accumulated other comprehensive income	46,000	**18,000**
	77,936,000	**71,094,000**
Treasury stock; 1,189,000 shares and 1,209,000 shares at cost at December 31, 2008 and September 30, 2009 respectively.	(10,851,000)	**(10,916,000)**
Total stockholders' equity	67,085,000	**60,178,000**
Total liabilities and stockholders' equity	$ 69,948,000	**$ 74,318,000**

* Derived from audited balance sheet as of December 31, 2008.

See accompanying notes to condensed consolidated financial statements.

I.D. Systems, Inc. and Subsidiary
Condensed Consolidated Statements of Operations
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2008	**2009**	2008	**2009**
Revenue:				
Products	$ 7,360,000	**$ 1,218,000**	$ 14,084,000	**$ 4,367,000**
Services	1,977,000	**623,000**	5,041,000	**3,093,000**
	9,337,000	**1,841,000**	19,125,000	**7,460,000**
Cost of revenue:				
Cost of products	3,622,000	**603,000**	6,836,000	**2,291,000**
Cost of services	948,000	**339,000**	2,545,000	**1,209,000**
	4,570,000	**942,000**	9,381,000	**3,500,000**
Gross Profit	4,767,000	**899,000**	9,744,000	**3,960,000**
Selling, general and administrative expenses	3,910,000	**3,644,000**	12,449,000	**11,619,000**
Research and development expenses	672,000	**642,000**	2,091,000	**2,022,000**
Income (loss) from operations	185,000	**(3,387,000)**	(4,796,000)	**(9,681,000)**
Interest income	434,000	**284,000**	1,853,000	**913,000**
Interest expense	—	**(44,000)**	—	**(87,000)**
Other income, net	—	**110,000**	—	**422,000**
Net income (loss)	$ 619,000	**$ (3,037,000)**	$ (2,943,000)	**$ (8,433,000)**
Net income (loss) per share – basic and diluted	$ 0.06	**$ (0.27)**	$ (0.27)	**$ (0.77)**
Weighted average common shares outstanding – basic	10,915,000	**11,075,000**	10,885,000	**10,963,000**
Weighted average common shares outstanding – diluted	11,175,000	**11,075,000**	10,885,000	**10,963,000**

See accompanying notes to condensed consolidated financial statements.

I.D. Systems, Inc. and Subsidiary
Condensed Consolidated Statement of Changes in Stockholders' Equity

	Common Stock		Additional		Accumulated Other		
	Number of Shares	Amount	Paid-in Capital	Accumulated Deficit	Comprehensive Income (loss)	Treasury Stock	Stockholders' Equity
Balance at December 31, 2008	12,082,000	$ 120,000	$ 101,437,000	$ (23,667,000)	$ 46,000	$ (10,851,000)	$ 67,085,000
Net loss				(8,433,000)			(8,433,000)
Comprehensive loss - unrealized loss on investments					(28,000)		(28,000)
Total comprehensive loss							(8,461,000)
Shares issued pursuant to exercise of stock options	1,000		2,000				2,000
Shares withheld pursuant to issuance of restricted and performance stock						(65,000)	(65,000)
Issuance of restricted and performance stock	201,000						
Stock based compensation –restricted stock			149,000				149,000
Stock based compensation - options			1,468,000				1,468,000
Balance at September 30, 2009 (Unaudited)	12,284,000	$ 120,000	$ 103,056,000	$ (32,100,000)	$ 18,000	$ (10,916,000)	$ 60,178,000

See accompanying notes to condensed consolidated financial statements.

I.D. Systems, Inc. and Subsidiary
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Nine months ended September 30,	
	2008	**2009**
Cash flows from operating activities:		
Net loss	$ (2,943,000)	**$ (8,433,000)**
Adjustments to reconcile net loss to cash used in operating activities:		
Inventory reserve	126,000	
Bad debt expense		**(132,000)**
Accrued interest income	(117,000)	**(28,000)**
Stock-based compensation expense	2,307,000	**1,617,000**
Depreciation and amortization	340,000	**404,000**
Change in fair value of investments	—	**(422,000)**
Deferred rent expense	(16,000)	**(16,000)**
Deferred revenue	545,000	**226,000**
Changes in:		
Restricted cash	—	**230,000**
Accounts receivable	(6,830,000)	**6,439,000**
Unbilled receivables	(318,000)	**(80,000)**
Inventory	2,031,000	**(2,323,000)**
Prepaid expenses and other assets	(126,000)	**(243,000)**
Accounts payable and accrued expenses	(764,000)	**(1,641,000))**
Net cash used in operating activities	(5,765,000)	**(4,402,000)**
Cash flows from investing activities:		
Purchase of fixed assets	(60,000)	**(354,000)**
Business acquisition	(573,000)	
Purchase of investments	(21,163,000)	**(46,134,000)**
Maturities of investments	31,917,000	**40,183,000**
Net cash provided by (used in) investing activities	10,121,000	**(6,305,000)**
Cash flows from financing activities:		
Repayment of term loan	(19,000)	
Proceeds from exercise of stock options	1,377,000	**2,000**
Purchase of treasury shares	(4,094,000)	
Borrowing on line of credit	—	**12,900,000**
Principal payments on line of credit	—	**(257,000)**
Net cash (used in) provided by financing activities	(2,736,000)	**12,645,000**
Net increase in cash and cash equivalents	1,620,000	**1,938,000**
Cash and cash equivalents - beginning of period	5,103,000	**12,558,000**
Cash and cash equivalents - end of period	$ 6,723,000	**14,496,000**
Supplemental disclosure of cash flow information:		
Cash paid for:		
Interest	$ —	**$ 87,000**
Noncash activities:		
Unrealized loss on investments	$ (424,000)	**$ (28,000)**
Shares withheld pursuant to stock issuance	$ —	**$ 65,000**

See accompanying notes to condensed consolidated financial statements.

NOTE A - THE COMPANY

I.D. Systems, Inc. (the "Company") develops, markets and sells wireless solutions for managing and securing high-value enterprise assets. These assets include industrial vehicles, such as forklifts and airport ground support equipment, and rental vehicles. The Company's patented Wireless Asset Net system, which utilizes radio frequency identification, or RFID, technology, addresses the needs of organizations to control, track, monitor and analyze their assets. The Company's solutions enable customers to achieve tangible economic benefits by making timely, informed decisions that increase the security, productivity and efficiency of their operations. The Company outsources its hardware manufacturing operations to contract manufacturers. The Company was incorporated in Delaware in 1993 and commenced operations in January 1994.

NOTE B – Organization and Consolidation Policy

The unaudited interim condensed consolidated financial statements include the accounts of I.D. Systems, Inc. (the "Company") and its wholly owned foreign subsidiary I.D. Systems, GmbH ("GmbH"). All material intercompany balances and transactions have been eliminated in consolidation. The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, such statements include all adjustments (consisting only of normal recurring items) which are considered necessary for a fair presentation of the consolidated financial position of the Company as of September 30, 2009, the consolidated results of its operations for the three- and nine- month periods ended September 30, 2008 and 2009, respectively, the consolidated change in stockholders' equity for the nine months ended September 30, 2009 and consolidated cash flows for the nine-month periods ended September 30, 2008 and 2009. The results of operations for the nine-month period ended September 30, 2009 are not necessarily indicative of the operating results for the full year. It is suggested that these financial statements be read in conjunction with the financial statements and related disclosures for the year ended December 31, 2008 included in the Company's Annual Report on Form 10-K.

NOTE C – Cash and Cash Equivalents

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

NOTE D – Investments

The Company's investments include debt securities, government and state agency bonds, corporate bonds and auction rate securities, which are classified as either available for sale, held to maturity or trading, depending on management's investment intentions relating to these securities. Available for sale securities are marked to market based on quoted market values of the securities, with the unrealized gain and (losses), reported as comprehensive income or (loss). For the three- and nine- month periods ended September 30, 2009, the Company reported unrealized loss of $22,000 and $28,000, respectively, on available for sale securities in comprehensive loss. Investments categorized as held to maturity are carried at amortized cost because the Company has both the intent and the ability to hold these investments until they mature. The Company has classified as short-term those securities that mature within one year, and all other securities are classified as long-term.

The Company's investments include auction rate securities ("ARS") and an auction rate securities right ("ARSR"), each as described below.

The Company has classified its ARS investments as trading securities as set forth in Financial Accounting Standards Board ("FASB") Accounting Standard Codification ("ASC") ASC 320 Investments - Debt and Equity Securities and has elected to account for its ARSR investment using the provisions of FASB ASC 820. Trading securities are carried at fair value, with unrealized holding gains and losses included in other income (expense) on the Company's consolidated statements of operations.

At September 30, 2009, the Company held approximately $20.4 million par value in ARS ($20.5 million fair value including the ARSR, which was valued at $1.8 million at September 30, 2009). These ARS represent interests in collateralized pools of student loan receivables issued by agencies established by counties, cities, states and other municipal entities within the United States. Liquidity for these ARS is typically provided by an auction process that resets the applicable interest rate at pre-determined intervals. In February 2008 and continuing in 2009, these securities failed to sell at auction. These failed auctions represent liquidity risk exposure and are not defaults or credit events. As a holder of the securities, the Company continues to receive interest on the ARS, and the securities continue to be auctioned at the pre-determined intervals (typically every 28 days) until the auction succeeds, the issuer calls the securities, or they mature.

The Company purchased all of the ARS it holds from UBS AG ("UBS"). In October 2008, the Company received an offer (the "Offer") from UBS for a put right (the "ARSR") permitting the Company to sell to UBS at par value all of the Company's ARS at a future date (any time during a two-year period beginning June 30, 2010). The Offer also included a commitment from UBS to loan the Company 75% of the UBS-determined value of the ARS at any time until the put is exercised at a variable interest rate that will equal the lesser of: (i) the applicable reference rate plus a spread set forth in the applicable credit agreement and (ii) the then-applicable weighted average interest or dividend rate paid to the Company by the issuer of the ARS that is pledged to UBS as collateral. The Offer was non-transferable and expired on November 14, 2008. During November 2008, the Company accepted the Offer. In exchange for the Offer, the Company provided UBS with a general release of claims (other than certain consequential damages claims) concerning the Company's ARS and granted UBS the right to purchase the Company's ARS at any time for full par value.

The Company's right under the ARSR is in substance a put option with the strike price equal to the par value of the ARS. The Company records this right as an asset and measures it at fair value, with the resultant gain or loss recognized in earnings. The Company has classified the ARS as trading securities. The Company recognized the following gain or (loss) in the condensed consolidated statement of operations for the three and nine months ended September 30, 2009 from the change in the fair value of these instruments:

Three months ended September 30, 2009	**Fair Value at June 30, 2009**	**Net Purchases (Sales)**	**Unrealized Gain (Loss)**	**Fair Value at September 30, 2009**
Auction Rate Securities	$ 18,681,000	$ (50,000)	$ 9,000	$ 18,640,000
Auction Rate Securities – Rights	1,718,000	-	101,000	1,819,000
Net unrealized gain recorded for the three months ended September 30, 2009	$ 20,399,000	$ (50,000)	$ 110,000	$ 20,459,000

Nine months ended September 30, 2009	**Fair Value at December 31, 2008**	**Net Purchases (Sales)**	**Unrealized Gain (Loss)**	**Fair Value at September 30, 2009**
Auction Rate Securities	$ 18,117,000	$ (50,000)	$ 573,000	$ 18,640,000
Auction Rate Securities – Rights	1,970,000	-	(151,000)	1,819,000
Net unrealized gain recorded for the three months ended September 30, 2009	$ 20,087,000	$ (50,000)	$ 422,000	$ 20,459,000

The fair value of the ARSR was based on an approach in which the present value of all expected future cash flows was subtracted from the current fair market value of the security and the resultant value was calculated as a future value at an interest rate reflective of counterparty risk.

Given the substantial dislocation in the financial markets and among financial services companies, there can be no assurance that UBS ultimately will have the ability to repurchase the Company's auction rate securities at par, or at any other price, as these rights will be an unsecured contractual obligation of UBS, or that if UBS determines to purchase the Company's ARS at any time, the Company will be able to reinvest the cash proceeds of any such sale at the same interest rate or dividend yield currently being paid to the Company. Also, as a condition of accepting the ARSR, the Company was required to sign a release of claims against UBS, which will prevent the Company from making claims against UBS related to the Company's investment in ARS, other than claims for consequential damages.

The cost, gross unrealized gains (losses) and fair value of available for sale, held to maturity and trading securities by major security type at September 30, 2009 are as follows:

September 30, 2009	Cost	Unrealized Gain	Unrealized Loss	Fair Value
Investments - short term				
Trading securities				
Auction Rate	$ 20,375,000		$ (1,735,000)	$ 18,640,000
Auction Rate Securities- Right		$ 1,819,000		1,819,000
Total trading securities	20,375,000	1,819,000	(1,735,000)	20,459,000
Available for sale				
Government Agency	17,966,000	54,000	(5,000)	18,015,000
Total available for sale	17,966,000	54,000	(5,000)	18,015,000
Held to maturity securities				
Government Agency	1,133,000	-	-	1,133,000
Corporate Bonds and Commercial Paper	254,000			254,000
Total held to maturity	1,387,000	-	-	1,387,000
Total investments - short term	39,728,000	1,873,000	(1,740,000)	39,861,000
Marketable securities - long term				
Available for sale				
US Treasury Notes	703,000	8,000	-	711,000
Total available for sale	703,000	8,000	-	711,000
Held to maturity securities				
US Treasury Notes	1,556,000	-	-	1,556,000
Government Agency	3,212,000			3,212,000
Corporate Bonds and Commercial Paper	4,466,000	-	-	4,466,000
Total held to maturity securities	9,234,000	-	-	9,234,000
Total investments - long term	9,937,000	8,000	-	9,945,000
Total investments	$ 49,665,000	$ 1,881,000	$ (1,740,000)	$ 49,806,000

NOTE E – 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.

NOTE F – Unbilled Receivables and Deferred Revenue

Under certain customer contracts, the Company invoices progress billings once certain milestones are met. 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. At December 31, 2008 and September 30, 2009, unbilled receivables were $168,000 and $248,000, respectively, and deferred revenue was $655,000 and $881,000, respectively.

NOTE G – Goodwill and Intangible Assets

On April 18, 2008, the Company acquired PowerKey, the industrial vehicle monitoring products division of International Electronics, Inc., a manufacturer of access control and security equipment, for approximately $573,000, which includes approximately $73,000 of direct acquisition costs. The tangible assets acquired include inventory (totaling approximately $191,000), and fixed assets (totaling approximately $4,000).

Allocation of the purchase price of the intangible assets consists of the following: goodwill (totaling approximately $200,000), trademarks and trade names (totaling approximately $74,000), and a customer list (totaling approximately $104,000) resulting from the acquisition of PowerKey are carried at cost. The Company will test the goodwill and intangible assets on an annual basis in the fourth quarter or more frequently if the Company believes indicators of impairment exist.

At December 31, 2008, the Company determined that no impairment existed to the goodwill, customer list and trademark and trade name, its acquired intangible assets. The Company also determined that the use of indefinite lives for the customer list and trademark and trade name remains applicable at December 31, 2008 and the Company expects to derive future benefits from these intangible assets. As of September 30, 2009, there were no indications of impairment.

NOTE H - Net Loss Per Share of Common Stock

Net loss per share for the three months and nine months ended September 30, 2008 and 2009 are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	**2009**	2008	**2009**
Basic and diluted loss per share				
Net income (loss)	$ 619,000	**$ (3,037,000)**	$ (2,943,000)	**$ (8,433,000)**
Weighted average shares outstanding- basic	10,915,000	**11,075,000**	10,885,000	**10,963,000**
Basic net income (loss) per share	$ 0.06	**$ (0.27)**	$ (0.27)	**$ (0.77)**
Weighted average shares outstanding- diluted	11,175,000	**11,075,000**	10,885,000	**10,963,000**
Diluted net income (loss) per share	$ 0.06	**$ (0.27)**	$ (0.27)	**$ (0.77)**

Basic income per share is based on the weighted average number of common shares outstanding during each period. Diluted income 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. For the three-month period ended September 30, 2008, diluted weighted average shares outstanding included the dilutive effect from potential exercise of outstanding stock options. For the nine-month period ended September 2008 and three and nine-month periods ended September 30, 2009, the basic and diluted weighted average shares outstanding were the same since the effect from the potential exercise of outstanding stock options would have been anti-dilutive. For the nine months ended September 30, 2008, the number of stock awards excluded from the computation was 2.3 million. For the three and nine months ended September 30, 2009, the number of stock awards excluded from the computation was 2.6 million.

NOTE I – Revenue Recognition

The Company's revenues are derived from contracts with multiple element arrangements, which include the Company's system, training and technical support. Revenue 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 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 when the system has been delivered, persuasive evidence of an arrangement exists, sales price is fixed and determinable, collectability is reasonably assured and contractual obligations have been satisfied. Training and technical support revenue is generally recognized at time of performance.

The Company also enters into post-contract maintenance and support agreements. Revenue is recognized over the service period and the cost of providing these services is expensed as incurred**.**

NOTE J – Stock-based Compensation Plans

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 Company adopted the 2007 Equity Compensation Plan, pursuant to which the Company may grant options to purchase up to an aggregate of 2,000,000 shares of common stock. The Company also adopted the 2009 Non-Employee Director Equity Compensation Plan, pursuant to which the Company may grant options to purchase up to an aggregate of 300,000 shares of common stock. The plans are administered by the Compensation Committee of the Company’s Board of Directors, 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.

The Company recognizes all share-based payments in the statement of operations as an operating expense, based on their fair values on the applicable grant date. As a result, the Company recorded $519,000 and $488,000 in stock-based compensation expense for the three-month periods ended September 30, 2008 and 2009, respectively, and a $1,637,000 and $1,468,000 expense for the nine-month periods ended September 30, 2008 and 2009, respectively.

The following table summarizes the activity of the Company’s stock options for the nine months ended September 30, 2009:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at beginning of year	2,601,000	$ 9.81		
Granted	317,000	3.58		
Exercised	(1,000)	2.31		
Forfeited	(268,000)	11.44		
Outstanding at end of period	2,649,000	$ 8.91	6 years	$ 186,000
Exercisable at end of period	1,623,000	$ 9.53	4 years	$ 64,000

As of September 30, 2009, there was approximately $3,404,000 of unrecognized compensation cost related to non-vested options granted under the Company's option plans. That cost is expected to be recognized over a weighted average period of 1.88 years.

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:

	September 30	
	2008	**2009**
Expected volatility	72% - 76%	54% - 76%
Expected life of options	5 years	5 years
Risk free interest rate	3%	2%
Dividend yield	0%	0%

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

The weighted average fair value of options granted during the nine months ended September 30, 2008 and 2009 was $4.95 and $1.85, respectively. The total intrinsic value of options exercised during the nine months ended September 30, 2008 and 2009 was $1,785,000 and $1,700, respectively.

The Company estimates forfeitures at the time of valuation and reduces expense ratably over the vesting period. This estimate is adjusted periodically based on the extent to which actual forfeitures differ, or are expected to differ, from the previous estimate.

NOTE K – Line of Credit

In October 2008, the Company received an offer (the "Offer") from UBS for a put right (the "ARSR") permitting the Company to sell to UBS at par value all ARS held by the Company, all of which were purchased by the Company from UBS, at a future date (any time during a two-year period beginning June 30, 2010). Included as part of the Offer, the Company received a commitment to obtain a loan for 75% of the UBS-determined value of the ARS at any time until the put option is exercised at a variable interest rate (1.33% at September 30, 2009) that will equal the lesser of: (i) the applicable reference rate plus a spread set forth in the applicable credit agreement and (ii) the then-applicable weighted average interest or dividend rate paid to the Company by the issuer of the ARS that is pledged to UBS as collateral. The Company accepted the Offer in November 2008. In March 2009, the Company borrowed $12,900,000 (which amount was equal to 75% of the UBS-determined value of the ARS) against this credit facility. Principal payments reduced the Company's obligation to $12,643,000 at September 30, 2009. This line of credit facility is payable on demand.

NOTE L – Restricted Stock

The fair value of each share granted is based on the Company's closing stock price on the date of the grant. A summary of the non-vested shares for the nine months ended September 30, 2009 is as follows:

	Non-vested Shares	**Weighted Average Grant Date Fair Value**
Non-vested at January 1, 2009	31,000	$ 9.49
Granted	161,000	3.54
Vested	(20,000)	10.55
Forfeited	-	
Non-vested at September 30, 2009	172,000	$ 3.78

The Company recorded $72,000 and $71,000 in stock-based compensation expense for the three-month periods ended September 30, 2008 and 2009, respectively, and a $451,000 and $149,000 in expense for the nine months ended September 30, 2008 and 2009, respectively, in connection with restricted stock grants. As of September 30, 2009, there was $553,000 of total unrecognized compensation cost related to non-vested shares. That cost is expected to be recognized over a weighted average period of 2.6 years.

NOTE M – Performance Shares

In June 2009, the Compensation Committee granted 233,000 performance shares to key employees pursuant to the 2007 Equity Compensation Plan. 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 ending in January 2012 with the ability to achieve prorated performance shares during interim annual measurement periods from January 31, 2009 to January 31, 2012. January of each year from 2009 to 2012 is used as the interim measurement date since it is assumed earnings announcements will take place in January with respect to the subsequent year end. If performance is not met, the performance shares will not vest and will automatically be returned to the Plan. If the performance trigger is met, then the shares will be issued to the employees. As of September 30, 2009, the Company cannot determine if it will achieve the three-year stock price target that will trigger the issuances of performance shares and therefore has not recorded compensation expense in connection with these performance share grants.

NOTE N – Income Taxes

The Company accounts for income taxes under the asset and liability approach. Deferred tax assets and liabilities are recognized for the expected future tax consequences attributed to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to reverse. As of September 30, 2009, the Company had provided a valuation allowance to fully reserve its net operating loss carry forwards, primarily as a result of anticipated net losses for income tax purposes.

NOTE O − Fair Value of Financial Instruments

The carrying amounts of cash equivalents, accounts receivable, and investments in securities, including ARS and the ARSR, are carried at fair value and accounts payable, line of credit, and other liabilities approximate their fair values due to the short period to maturity of these instruments. The fair value of the ARS was determined utilizing a discounted cash flow approach and market evidence with respect to the ARS' collateral, ratings and insurance to assess default risk, credit spread risk and downgrade risk.

NOTE P- Concentration of Customers

Three customers accounted for 27%, 19% and 12% of the Company's revenue during the nine-month period ended September 30, 2009. The same three customers accounted for 25%, 16% and 13%, respectively, of the Company's accounts receivable and unbilled receivables as of September 30, 2009. In addition, one other customer accounted for 18% of the Company's accounts receivable and unbilled receivables as of September 30, 2009.

One customer accounted for 80% of the Company's revenue during the nine-month period ended September 30, 2008. This same customer accounted for 80% of the Company's accounts receivable and unbilled receivables as of September 30, 2008.

NOTE Q – Stock Repurchase Program

On May 3, 2008, the Company announced that its Board of Directors had authorized the repurchase of issued and outstanding shares of its common stock having an aggregate value of up to $10,000,000 pursuant to a share repurchase program established under Rule 10b-18 of the Securities Exchange Act of 1934, as amended. The amount and timing of such repurchases are 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. The repurchases are funded from the Company's working capital. The Company's share repurchase program does not have an expiration date, and the Company may discontinue or suspend the share repurchase program at any time. All shares of common stock repurchased under the Company's share repurchase program are held as treasury stock. As of September 30, 2009, the Company has purchased approximately 1,075,000 shares in open market transactions under the program for an aggregate of approximately $9,970,000 or an average cost of $9.27 per share.

NOTE R - Comprehensive Loss

Comprehensive loss includes net loss, unrealized losses on available-for-sale marketable securities and changes in the Company's foreign currency translation adjustment account. Cumulative unrealized gains and losses on available-for-sale marketable securities are reflected as accumulated other comprehensive loss in consolidated stockholders' equity on the Company's consolidated balance sheet. Also reported in other comprehensive income/loss are changes in the foreign currency translation adjustment account resulting from translation of the Company's wholly owned foreign subsidiary financial statements to U.S. dollars.

For the nine months ended September 30, 2009, comprehensive loss was $8,461,000, which includes a net loss of $8,433,000 and an unrealized loss on available-for-sale marketable securities of $28,000.

NOTE S - Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires the use of estimates and assumptions by management that affect reported amounts of assets and liabilities and disclosures 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 most significant estimates relate to stock-based compensation arrangements and the fair value of the Company's investments in auction rate securities and the auction rate securities right (See Note U –Fair Value Measurements). Actual results could differ from these estimates.

NOTE T - Commitments and 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.

NOTE U - Fair Value Measurements

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 own assumptions.

The following table summarizes the bases used by the Company's broker-dealer to measure certain assets and liabilities at fair value on a recurring basis in the consolidated balance sheet:

	Balance at September 30, 2009	Basis of Fair Value Measurements		
		Level 1	Level 2	Level 3
Assets:				
Cash Equivalents	$ 2,760,000	$ 2,760,000		
Marketable securities – short term	39,861,000	19,402,000	$ —	$ 20,459,000
Marketable securities – long term	9,945,000	9,945,000	—	—
	$ 52,566,000	$ 32,107,000	$ —	$ 20,459,000

The table below includes a roll forward of the Company's investments in ARS and the ARSR from January 1, 2009 to September 30, 2009:

Fair value, January 1, 2009	$ 20,087,000
Net purchases (maturities)	(50,000)
Unrealized gain included in condensed consolidated statement of operations	422,000
Fair value, September 30, 2009	$ 20,459,000

NOTE V – Wholly Owned Foreign Subsidiary

In May 2009, the Company formed an entity in Germany - I.D. Systems, GmbH (the "GmbH"). This foreign entity is wholly owned by I.D. Systems, Inc. The GmbH financial statements are combined and consolidated with the financial statements of I.D. Systems, Inc. The objective of forming this organization is to streamline the Company's growing European operations thereby affording the Company the benefits of having a company registered in that international market.

For the period from May 15, 2009 (inception) to September 30, 2009, the GmbH's operations resulted in a net loss of $121,000. Total assets were $329,000. The GmbH operates in a local currency environment using the Euro as its functional currency.

Existing I.D. Systems, Inc. European sales orders/contracts and related accounting activity will remain in I.D. Systems, Inc., the U.S. company, until settled or completed. Existing European employees and contractors and their related agreements were transferred to the GmbH in August 2009.

NOTE W – Foreign Operations

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, with the related translation gains or losses reported as components of accumulated other comprehensive income/loss in consolidated stockholders' equity. The translation of the GmbH's financial statements at September 30, 2009 resulted in an immaterial translation loss of less than $200 which is included in comprehensive loss in condensed consolidated stockholders' equity.

Gains and losses resulting from foreign currency transactions are included in determining net income or loss. For the nine months ended September 30, 2009, a foreign currency transaction gain of $33,000 is included as an offset to selling, general and administrative expenses in the condensed consolidated statement of operations.

NOTE X – Rights Agreement

In July of 2009, the Company amended its Amended and Restated Certificate of Incorporation in order to create a new series of preferred stock, to be designated the "Series A Junior Participating Preferred Stock" (hereafter referred to as "Preferred Stock"). Shareholders of the Preferred Stock will be entitled to certain minimum quarterly dividend rights, voting rights, and liquidation preferences. Because of the nature of the Series A Preferred Stock's dividend, liquidation and voting rights, the value of a share of Preferred Stock is expected to approximate the value of one share of the Company's common stock.

In July of 2009, the Company also adopted a shareholder rights plan (the "Rights Plan"), which entitles the holders of the rights to purchase from the Company 1/1,000th (subject to prospective anti-dilution adjustments) of a share of Preferred Stock of the Company at a purchase price of $19.47 (a "Right"). The Rights Plan has a three-year term with the possibility of two separate three-year renewals. Until a Right is exercised or exchanged in accordance with the provisions of the rights agreement governing the Rights Plan, the holder thereof, as such, will have no rights as a stockholder of the Company, including, without limitation, the right to vote for the election of directors or upon any matter submitted to stockholders of the Company or to receive dividends or subscription rights. The Rights were registered with the Securities and Exchange Commission in July of 2009.

On June 29, 2009, the Board of Directors of the Company declared a dividend of one Right for each outstanding share of common stock. The dividend was paid on July 13, 2009 to the stockholders of record on that date.

NOTE Y – Severance Agreements

In September 2009, the Company entered into severance agreements with four 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. 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, 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 to 18 months, (ii) partial accelerated vesting of the executive's previously granted stock options and restricted stock awards, and (iii) an award of "Performance Shares" under the Restricted Stock Unit Award Agreement previously entered into between the Company and the executive.

NOTE Z – Recent Accounting Pronouncements

In May 2009, the FASB issued ASC 855 (formerly Statement of Financial Accounting Standards (SFAS) No. 165), "Subsequent Events" ("ASC 855"). ASC 855 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. ASC 855 sets forth (1) the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, (2) the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements and (3) the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. ASC 855 is effective for interim or annual financial periods ending after June 15, 2009. The Company has evaluated subsequent events through November 6, 2009, which is the date that these financial statements were filed with the Securities and Exchange Commission.

In June 2009, the FASB issued ASC topic 105, "Generally Accepted Accounting Principles" (formerly SFAS No. 168) ("ASC 105"). ASC 105 establishes as the sole source of authoritative generally accepted accounting principles. Pursuant to the provisions of ASC 105, the Company has updated references to GAAP in its financial statements for the period ended September 30, 2009. This pronouncement is effective September 15, 2009. The adoption of this pronouncement did not have an effect on the Company's condensed consolidated financial statements.

In June 2009, the FASB issued SFAS No. 166, "Accounting for Transfers of Financial Assets—an amendment of FASB Statement No. 140" ("SFAS 166"). SFAS 166 improves the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor's continuing involvement, if any, in transferred financial assets. SFAS 166 is effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period and for interim and annual reporting periods thereafter. The Company is evaluating the impact the adoption of SFAS 166 will have on its consolidated financial statements.

In June 2009, the FASB issued SFAS No. 167, "Amendments to FASB Interpretation No. 46(R)" ("SFAS 167"). SFAS 167 improves financial reporting by enterprises involved with variable interest entities and addresses (1) the effects on certain provisions of FASB Interpretation No. 46 (revised December 2003), "Consolidation of Variable Interest Entities," as a result of the elimination of the qualifying special-purpose entity concept in SFAS 166, and (2) constituent concerns about the application of certain key provisions of Interpretation 46(R), including those in which the accounting and disclosures under the Interpretation do not always provide timely and useful information about an enterprise's involvement in a variable interest entity. SFAS 167 is effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. The Company is evaluating the impact the adoption of SFAS 167 and anticipates that it will not have an impact on the Company's condensed consolidated financial position or results of operations.

In August 2009, the FASB issued Accounting Standards Update (ASU) No. 2009-05, "Measuring Liabilities at Fair Value." This ASU clarifies the application of certain valuation techniques in circumstances in which a quoted price in an active market for the identical liability is not available and clarifies that when estimating the fair value of a liability, the fair value is not adjusted to reflect the impact of contractual restrictions that prevent its transfer. The guidance provided in this ASU becomes effective on October 1, 2009. The Company is currently evaluating the impact the adoption of this ASU will have on its condensed consolidated financial statements.

In September 2009, the FASB issued ASU No. 2009-12, "Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)." This ASU provides amendments for the fair value measurement of investments to create a practical expedient to measure the fair value of an investment in certain entities on the basis of the net asset value per share of the investment (or its equivalent) determined as of the reporting entity's measurement date. Therefore, certain attributes of the investment (such as restrictions on redemption) and transaction prices from principal-to-principal or brokered transactions will not be considered in measuring the fair value of the investment if the practical expedient is used. The amendment in this ASU also requires disclosures by major category of investment about the attributes of those investments, such as the nature of any restrictions on the investor's ability to redeem its investments at the measurement date, any unfunded commitments, and the investment strategies of the investees. The amendments in this ASU are effective for interim and annual periods ending after December 15, 2009. Early application is permitted. The Company is currently evaluating this new ASU and anticipates that it will not have an impact on the Company's condensed consolidated financial position or results of operations.

In October 2009, the FASB issued ASU No. 2009-13, "Multiple-Deliverable Revenue Arrangements." This ASU establishes the accounting and reporting guidance for arrangements including multiple revenue-generating activities. This ASU provides amendments to the criteria for separating deliverables, measuring and allocating arrangement consideration to one or more units of accounting. The amendments in this ASU also establish a selling price hierarchy for determining the selling price of a deliverable. Significantly enhanced disclosures are also required to provide information about a vendor's multiple-deliverable revenue arrangements, including information about the nature and terms, significant deliverables, and its performance within arrangements. The amendments also require providing information about the significant judgments made and changes to those judgments and about how the application of the relative selling-price method affects the timing or amount of revenue recognition. The amendments in this ASU are effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. Early application is permitted. The Company is currently evaluating the impact the adoption of this ASU will have on its condensed consolidated financial statements.

In October 2009, the FASB issued ASU No. 2009-14, "Certain Revenue Arrangements That Include Software Elements." This ASU changes the accounting model for revenue arrangements that include both tangible products and software elements that are "essential to the functionality", and scopes these products out of current software revenue guidance. The new guidance will include factors to help companies determine what software elements are considered "essential to the functionality." The amendments will now subject software-enabled products to other revenue guidance and disclosure requirements, such as guidance surrounding revenue arrangements with multiple deliverables. The amendments in this ASU are effective prospectively for revenue arrangements entered into or materially modified in the fiscal years beginning on or after June 15, 2010. Early application is permitted. The Company is currently evaluating the impact the adoption of this ASU will have on its consolidated financial statements.

NOTE AA – Subsequent Events

The Company has evaluated subsequent events through November 6, 2009 which is the date these financial statements were filed with the Securities and Exchange Commission.

Acquisition

On October 19, 2009, the Company acquired Didbox Ltd. ("Didbox"), a privately-held manufacturer and marketer of vehicle operator identification systems based in the United Kingdom. The all-cash transaction valued at approximately $660,000 was structured with $533,000 paid up front and the balance due in 12 months based upon achievement of certain revenue and operating profit targets. The Didbox business compliments the Company's existing businesses. In addition, the acquisition is expected to provide the Company with access to a broader base of customers in Europe.

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

The following discussion and analysis of the consolidated financial condition and results of operations of I.D. Systems, Inc. (the "Company," "we" or "us") should be read in conjunction with the consolidated financial statements and notes thereto appearing elsewhere herein.

This report contains various forward-looking statements made pursuant to the safe harbor provisions under the Private Securities Litigation Reform Act of 1995 and information that is based on management's beliefs as well as assumptions made by and information currently available to management. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, the Company can give no assurance that such expectations will prove to be correct. When used in this report, the words "anticipate", "believe", "estimate", "expect", "predict", "project", and similar expressions or words, or the negatives of those words, are intended to identify forward-looking statements. Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date hereof, and should be aware that the Company's actual results could differ materially from those described in the forward-looking statements due to a number of factors, including business conditions and growth in the wireless tracking industries, general economic conditions, lower than expected customer orders or variations in customer order patterns, competitive factors including increased competition, changes in product and service mix, and resource constraints encountered in developing new products and other factors described under "Risk Factors" set forth in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2008 and other filings with the Securities and Exchange Commission (the "SEC"). Any forward-looking statements regarding industry trends, product development and liquidity and future business activities should be considered in light of these factors. The Company undertakes no obligation, and expressly disclaims any obligation, to publicly release the results on any revisions to these forward-looking statements that may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events, or otherwise.

The Company makes available through its internet website free of charge its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to such reports and other filings made by the Company with the SEC, as soon as practicable after the Company electronically files such reports and filings with the SEC. The Company's website address is www.id-systems.com. The information contained in this website is not incorporated by reference in this report.

In the following discussions, most percentages and dollar amounts have been rounded to aid presentation, and accordingly, all amounts are approximations.

Overview

We develop, market and sell wireless solutions for managing and securing high-value enterprise assets. These assets include industrial vehicles, such as forklifts and airport ground support equipment, and rental vehicles. Our patented Wireless Asset Net system, which utilizes RFID technology, addresses 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 two primary applications - industrial fleet management and security, and rental fleet management. Our solution for industrial fleet management and security 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 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 to focusing on these core applications, we have adapted, and intend to continue to adapt, our solutions to meet our customers' broader asset management needs.

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.

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, aerospace and defense, homeland security and vehicle rental.

During the nine months ended September 30, 2009, we generated revenues of $7.5 million, and the U.S. Postal Service, Wal-Mart Stores, Inc. and Ford Motor Company Inc. accounted for 27%, 19% and 12 % of our revenues, respectively. During the nine months ended September 30, 2008, we generated revenues of $ 19.1 million, and the U.S. Postal Service accounted for 50% of our revenues.

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 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, for example, 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

For the nine months ended September 30, 2009, there were no significant changes to the Company's critical accounting policies as identified in its Annual Report on Form 10-K for the year ended December 31, 2008.

Results of Operations

The following table sets forth, for the periods indicated, certain operating information expressed as a percentage of revenue:

	Three months ended September 30,		Nine months ended September 30,	
	2008	**2009**	2008	**2009**
Revenue:				
Products	78.8%	**66.2**%	73.6%	**58.5**%
Services	21.2	**33.8**	26.4	**41.5**
	100.0	**100.0**	100.0	**100.0**
Cost of revenue:				
Cost of products	38.8	**32.8**	35.7	**30.7**
Cost of services	10.2	**18.4**	13.3	**16.2**
	49.0	**51.2**	49	**46.9**
Gross profit	51.1	**48.8**	50.9	**53.1**
Selling, general and administrative expenses	41.9	**197.9**	65.1	**155.8**
Research and development expenses	7.2	**34.9**	10.9	**27.1**
Income (loss) from operations	2.0	**(184.0)**	(25.1)	**(129.8)**
Interest income, net	4.6	**15.4**	9.7	**12.2**
Interest expense	—	**(2.4)**		**(1.2)**
Other income	—	**6.0**	—	**5.7**
Net Income (loss)	6.6%	**(165.0)**%	(15.4)%	**(113.0)**%

Three Months Ended September 30, 2009 Compared to Three Months Ended September 30, 2008

REVENUES. Revenues decreased by $7.5 million, or 80.3%, to $1.8 million in the three months ended September 30, 2009.

Revenues from products decreased by $6.1 million, or 83.5%, to $1.2 million in the three months ended September 30, 2009 from $7.4 million in the same period in 2008. Overall, the decrease in revenues was attributable to a decrease in the number of large orders received. The decrease in product orders was primarily accounted for in reduced revenue of $6.6 million from Wal-Mart Stores, Inc.

Revenues from services decreased by $1.3 million, or 68.5%, to $623,000 in the three months ended September 30, 2009 from $2.0 million in the same period in 2008. The decrease in service revenue is primarily attributable to a decrease in the amount of services rendered to the United States Postal Service in the amount of $1.7 million during the three months ended September 30, 2009, partially offset by increased maintenance revenue from other customers.

COST OF REVENUES. Cost of revenues decreased by $3.6 million, or 79.4%, to $942,000 in the three months ended September 30, 2009 from $4.6 million for the same period in 2008. The decrease is attributable to the decrease in revenue in 2009. Gross profit was $899,000 in 2009 compared to $4.7 million in 2008. As a percentage of revenues, gross profit decreased to 48.8% in 2009 from 51.1% in 2008.

Cost of products decreased by $3.0 million, or 83.4%, to $603,000 in the three months ended September 30, 2009 from $3.6 million in the same period in 2008. Gross profit for products was $615,000 in 2009 compared to $3.7 million in 2008. As a percentage of product revenues, gross profit of 50.5% in 2009 was consistent with the gross profit of 50.8% in 2008.

Cost of services decreased by $609,000, or 64.2%, to $339,000 in the three months ended September 30, 2009 from $948,000 in the same period in 2008. Gross profit for services was $284,000 in 2009 compared to $1.0 million in 2008. As a percentage of service revenues, gross profit decreased to 45.6% in 2009 from 52.1% in 2008. The gross margin decrease was primarily due to a reduction in service revenue with fixed costs remaining constant, driving the margin down.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses decreased by $266,000, or 6.8%, to $3.6 million in the three months ended September 30, 2009 compared to $3.9 million in the same period in 2008. This decrease was primarily attributable to decreases in non-payroll selling expenses, recruiting costs, commissions and stock-based compensation partially offset by increases in professional fees. As a percentage of revenues, selling, general and administrative expenses increased to 197.9% in the three months ended September 30, 2009 from 41.9% in the same period in 2008 primarily due to the decrease in revenue in the three months ended September 30, 2009.

RESEARCH AND DEVELOPMENT EXPENSES. Research and development expenses decreased by $30,000, or 4.5%, to $642,000 in the three months ended September 30, 2009 from $672,000 in the same period in 2008. As a percentage of revenues, research and development expenses increased to 34.9% in the three months ended September 30, 2009 from 7.2% in the same period in 2008 due primarily to a decrease in revenue in the three months ended September 30, 2009, as discussed above.

INTEREST INCOME. Interest income decreased by $150,000 to $284,000 in the three months ended September 30, 2009 from $434,000 in the same period in 2008. This decrease was attributable primarily to the decrease in the rate of interest earned on the Company's cash and investments.

INTEREST EXPENSE Interest expense increased by $44,000 in the three months ended September 30, 2009 from $0 in the same period in 2008. This increase was due to interest expense incurred on the Company's line of credit borrowing facility which was not in place during 2008.

OTHER INCOME. Other income of $110,000 in the three months ended September 30, 2009 reflects the change in the fair value of the Company's investment in auction rate securities and the auction rate securities right.

NET LOSS. Net loss was $3.0 million, or $(0.27) per basic and diluted share, for the three months ended September 30, 2009 as compared to net income of $619,000, or $0.06 per basic and diluted share, for the same period in 2008. The difference from net income to net loss was due primarily to the reasons described above.

Nine Months Ended September 30, 2009 Compared to Nine Months Ended September 30, 2008

REVENUES. Revenues decreased by $11.7 million, or 61.0%, to $7.5 million in the nine months ended September 30, 2009.

Revenues from products decreased by $9.7 million, or 69.0%, to $4.4 million in the nine months ended September 30, 2009 from $14.1 million in the same period in 2008. The decrease in revenues was primarily attributable to the decrease in revenue from the United States Postal Service in the amount of $4.6 million due to a spending freeze and from Wal-Mart Stores, Inc. in the amount of $5.9 million, partially offset by increases in revenue from other customers.

Revenues from services decreased by $1.9 million, or 38.6%, to $3.0 million in the nine months ended September 30, 2009 from $5.0 million in the same period in 2008. The decrease in service revenue is primarily attributable to a decrease in the amount of services rendered to the United States Postal Service in the amount of $2.9 million during the nine months ended September 30, 2009, partially offset by increased maintenance revenue from other customers.

COST OF REVENUES. Cost of revenues decreased by $5.9 million, or 62.7%, to $3.5 million in the nine months ended September 30, 2009. The decrease was attributable to the decrease in revenue in 2009. Gross profit was $4.0 million in 2009 compared to $9.7 million in 2008. As a percentage of revenues, gross profit increased to 53.1% in 2009 from 51.0% in 2008.

Cost of products decreased by $4.5 million, or 66.5%, to $2.3 million in the nine months ended September 30, 2009 from $6.8 million in the same period in 2008. Gross profit for products was $2.1 million in 2009 compared to $7.2 million in 2008. As a percentage of product revenues, gross profit decreased to 47.5% in 2009 from 51.5% in 2008. The decrease in gross profit was due to lower revenue in 2009 resulting in fixed expenses having a greater negative impact on the gross profit percentage in 2009.

Cost of services decreased by $1.3 million, or 52.5%, to $1.2 million in the nine months ended September 30, 2009 from $2.5 million in the same period in 2008. Gross profit for services was $1.9 million in 2009 compared to $2.5 million in 2008. As a percentage of service revenues, gross profit increased to 60.1% in 2009 from 49.5% in 2008. The gross margin increase was due to a mix in service revenue. During the nine months ended September 30, 2008, a higher percentage of our service revenue was for vehicle and infrastructure installations for the United States Postal Service. Those services are performed by subcontractors and have lower gross margins than training and support services performed by our own field staff. Maintenance revenue, which has higher margins, also increased by $400,000, or 73%, in the nine months ended September 30, 2009 compared to September 30, 2008.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses decreased $830,000, or 6.7%, to $11.6 million in the nine months ended September 30, 2009 compared to $12.4 million in the same period in 2008. This decrease was primarily attributable to decreases in non-payroll selling expenses, recruiting costs, commissions and stock-based compensation partially offset by increases in professional fees. As a percentage of revenues, selling, general and administrative expenses increased to 155.8% in the nine months ended September 30, 2009 from 65.1% in the same period in 2008 due to a decrease in revenue.

RESEARCH AND DEVELOPMENT EXPENSES. Research and development expenses decreased $69,000, or 3.3%, to $2.0 million in the nine months ended September 30, 2009 from $2.1 million in the same period in 2008. As a percentage of revenues, research and development expenses increased to 27.1% in the nine months ended September 30, 2009 from 10.9% in the same period in 2008 due primarily to a decrease in revenue in the nine months ended September 30, 2009, as discussed above.

INTEREST INCOME. Interest income decreased $940,000 to $913,000 in the nine months ended September 30, 2009 from $1.9 million in the same period in 2008. This decrease was attributable primarily to the decrease in interest rates earned on the Company's investments.

INTEREST EXPENSE Interest expense increased by $87,000 in the nine months ended September 30, 2009 from $0 in the same period in 2008. This increase was due to interest expense incurred on the Company's line of credit borrowing facility which was not in place during 2008.

OTHER INCOME. Other income of $422,000 in the nine months ended September 30, 2009 reflects the change in the fair value of the Company's investment in auction rate securities and the auction rate securities right.

NET LOSS. Net loss was $8.4 million, or $(0.77) per basic and diluted share, for the nine months ended September 30, 2009 as compared to net loss of $2.9 million, or $(0.27) per basic and diluted share, for the same period in 2008. The increase in net loss was due primarily to the reasons described above.

Liquidity and Capital Resources

Historically, except for our line of credit borrowing of $12.9 million in the first quarter of 2009, the Company's capital requirements have been funded primarily from the net proceeds from the sale of its securities, including the sale of its common stock upon the exercise of options and warrants. As of September 30, 2009, the Company had cash and marketable securities of $64.3 million and working capital of $49.4 million compared to $56.0 million and $30.9 million, respectively, as of December 31, 2008.

Operating Activities

Net cash used in operating activities was $4.4 million for the nine months ended September 30, 2009, compared to net cash used in operating activities of $5.8 million for the same period in 2008. The net cash used in operating activities for the nine months ended September 30, 2009 reflects a net loss of $8.4 million and includes non-cash charges of $1.6 million for stock-based compensation and $0.4 million for depreciation and amortization expense. Changes in working capital items included:

- a decrease in accounts receivable of $6.3 million resulting from increased cash collections and the overall decrease in revenue;
- a increase in inventory of $2.3 million; and
- a decrease in accounts payable and accrued expenses of $1.6 million primarily due to the timing of the payments to our vendors.

Investing Activities

Net cash used by investing activities was $6.3 million for the nine months ended September 30, 2009, compared to net cash provided by investing activities of $10.1 million for the same period in 2008. The change was due primarily to an increase in the purchase of investments which was partially offset by an increase in maturities of investments.

Financing Activities

Net cash provided by financing activities was $12.6 million for the nine months ended September 30, 2009, compared to net cash used in financing activities of $2.7 million for the same period in 2008. The increase was due to the borrowing of $12.9 million from the UBS line of credit facility.

Capital Requirements

The Company believes that with the cash it has on hand it will have sufficient funds available to cover its working capital requirements.

The Company's working 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 its 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 the Company's business, financial condition and results of operations. The Company may determine in the future that it requires additional funds to meet its long-term strategic objectives, including completion of potential acquisitions. Any additional equity financing may be dilutive to stockholders, and debt financing, if available, may involve significant restrictive covenants, and the Company cannot make any assurances that such financing will be available on terms acceptable to it or at all.

At September 30, 2009, the Company held approximately $20.4 million par value in auction rate securities ("ARS") ($20.5 million fair value including the ARSR described below, which was valued at $1.8 million at September 30, 2009). These ARS represent interests in collateralized pools of student loan receivables issued by agencies established by counties, cities, states and other municipal entities within the United States. Liquidity for these ARS is typically provided by an auction process that resets the applicable interest rate at pre-determined intervals. In February 2008 and continuing in 2009, these securities failed to sell at auction. These failed auctions represent liquidity risk exposure and are not defaults or credit events. As holder of the securities, the Company continues to receive interest on the ARS.

The Company purchased all of the ARS it holds from UBS. In October 2008, the Company received an offer (the "Offer") from UBS for a put right (the "ARSR") permitting the Company to sell all of its ARS to UBS at a future date (any time during a two-year period beginning June 30, 2010). The Offer also included a commitment to loan the Company 75% of the UBS-determined value of the ARS at any time until the put is exercised at a variable interest rate that will equal the lesser of: (i) the applicable reference rate plus a spread set forth in the applicable credit agreement and (ii) the then-applicable weighted average interest or dividend rate paid to the Company by the issuer of the ARS that is pledged to UBS as collateral. In November 2008, the Company accepted the Offer. In exchange for the Offer, the Company provided UBS with a general release of claims (other than certain consequential damages claims) concerning the Company's ARS and granted UBS the right to purchase the Company's ARS at any time for full par value.

In March 2009, the Company borrowed $12,900,000 (which amount was equal to 75% of the UBS-determined value of the ARS) against the UBS line of credit facility. Principal payments reduced this obligation to $12,643,000 at September 30, 2009. This line of credit facility is payable on demand. The Company is paying interest on this obligation based upon the methodology described above, which is partially offset interest earned on the underlying ARS.

Given the substantial dislocation in the financial markets and among financial services companies, there can be no assurance that UBS ultimately will have the ability to repurchase the Company's ARS at par, or at any other price, as these rights will be an unsecured contractual obligation of UBS, or that if UBS determines to purchase the Company's ARS at any time, the Company will be able to reinvest the cash proceeds of any such sale at the same interest rate or dividend yield currently being paid to the Company under the ARS. Also, as a condition of accepting the ARSR, the Company was required to sign a release of claims against UBS, which will prevent the Company from making claims against UBS related to the Company's investment in ARS, other than claims for consequential damages.

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, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Contractual Obligations

As of September 30, 2009, there have been no material charges in contractual obligations as disclosed under the caption "Contractual Obligations" in Item 7 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2008.

Inflation

Inflation has not had, nor is it expected to have, a material impact on our consolidated financial results.

Impact of Recently Issued Accounting Pronouncements

In May 2009, the FASB issued ASC 855 (formerly Statement of Financial Accounting Standards (SFAS) No. 165), "Subsequent Events" ("ASC 855"). ASC 855 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. ASC 855 sets forth (1) the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, (2) the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements and (3) the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. ASC 855 is effective for interim or annual financial periods ending after June 15, 2009. The Company has evaluated subsequent events through November 6, 2009, which is the date that these financial statements were filed with the Securities and Exchange Commission.

In June 2009, the FASB issued ASC topic 105, "Generally Accepted Accounting Principles" (formerly SFAS No. 168) ("ASC 105"). ASC 105 establishes as the sole source of authoritative generally accepted accounting principles. Pursuant to the provisions of ASC 105, the Company has updated references to GAAP in its financial statements for the period ended September 30, 2009. This pronouncement is effective September 15, 2009. The adoption of this pronouncement did not have an effect on the Company's condensed consolidated financial statements.

In June 2009, the FASB issued SFAS No. 166, "Accounting for Transfers of Financial Assets—an amendment of FASB Statement No. 140" ("SFAS 166"). SFAS 166 improves the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor's continuing involvement, if any, in transferred financial assets. SFAS 166 is effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period and for interim and annual reporting periods thereafter. The Company is evaluating the impact the adoption of SFAS 166 will have on its condensed consolidated financial statements.

In June 2009, the FASB issued SFAS No. 167, "Amendments to FASB Interpretation No. 46(R)" ("SFAS 167"). SFAS 167 improves financial reporting by enterprises involved with variable interest entities and addresses (1) the effects on certain provisions of FASB Interpretation No. 46 (revised December 2003), "Consolidation of Variable Interest Entities," as a result of the elimination of the qualifying special-purpose entity concept in SFAS 166, and (2) constituent concerns about the application of certain key provisions of Interpretation 46(R), including those in which the accounting and disclosures under the Interpretation do not always provide timely and useful information about an enterprise's involvement in a variable interest entity. SFAS 167 is effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. The Company is evaluating the impact the adoption of SFAS 167 and anticipates that it will not have an impact on the Company's condensed consolidated financial position or results of operations.

In August 2009, the FASB issued Accounting Standards Update (ASU) No. 2009-05, "Measuring Liabilities at Fair Value." This ASU clarifies the application of certain valuation techniques in circumstances in which a quoted price in an active market for the identical liability is not available and clarifies that when estimating the fair value of a liability, the fair value is not adjusted to reflect the impact of contractual restrictions that prevent its transfer. The guidance provided in this ASU becomes effective on October 1, 2009. The Company is currently evaluating the impact the adoption of this ASU will have on its condensed consolidated financial statements.

In September 2009, the FASB issued ASU No. 2009-12, "Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)." This ASU provides amendments for the fair value measurement of investments to create a practical expedient to measure the fair value of an investment in certain entities on the basis of the net asset value per share of the investment (or its equivalent) determined as of the reporting entity's measurement date. Therefore, certain attributes of the investment (such as restrictions on redemption) and transaction prices from principal-to-principal or brokered transactions will not be considered in measuring the fair value of the investment if the practical expedient is used. The amendment in this ASU also requires disclosures by major category of investment about the attributes of those investments, such as the nature of any restrictions on the investor's ability to redeem its investments at the measurement date, any unfunded commitments, and the investment strategies of the investees. The amendments in this ASU are effective for interim and annual periods ending after December 15, 2009. Early application is permitted. The Company is currently evaluating this new ASU and anticipates that it will not have an impact on the Company's condensed consolidated financial position or results of operations.

In October 2009, the FASB issued ASU No. 2009-13, "Multiple-Deliverable Revenue Arrangements." This ASU establishes the accounting and reporting guidance for arrangements including multiple revenue-generating activities. This ASU provides amendments to the criteria for separating deliverables, measuring and allocating arrangement consideration to one or more units of accounting. The amendments in this ASU also establish a selling price hierarchy for determining the selling price of a deliverable. Significantly enhanced disclosures are also required to provide information about a vendor's multiple-deliverable revenue arrangements, including information about the nature and terms, significant deliverables, and its performance within arrangements. The amendments also require providing information about the significant judgments made and changes to those judgments and about how the application of the relative selling-price method affects the timing or amount of revenue recognition. The amendments in this ASU are effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. Early application is permitted. The Company is currently evaluating the impact the adoption of this ASU will have on its condensed consolidated financial statements.

In October 2009, the FASB issued ASU No. 2009-14, "Certain Revenue Arrangements That Include Software Elements." This ASU changes the accounting model for revenue arrangements that include both tangible products and software elements that are "essential to the functionality", and scopes these products out of current software revenue guidance. The new guidance will include factors to help companies determine what software elements are considered "essential to the functionality." The amendments will now subject software-enabled products to other revenue guidance and disclosure requirements, such as guidance surrounding revenue arrangements with multiple deliverables. The amendments in this ASU are effective prospectively for revenue arrangements entered into or materially modified in the fiscal years beginning on or after June 15, 2010. Early application is permitted. The Company is currently evaluating the impact the adoption of this ASU will have on its condensed consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We 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. As of September 30, 2009, we had cash, cash equivalents and marketable securities of $64.3 million.

Our cash and cash equivalents consist of cash, money market funds, and short-term investments with original maturities of three months or less. As of September 30, 2009, 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 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 continue to worsen.

At September 30, 2009, the Company held approximately $20.4 million par value in ARS ($20.5 million fair value including the ARSR, which was valued at $1.8 million at September 30, 2009). These ARS represent interests in collateralized pools of student loan receivables issued by agencies established by counties, cities, states and other municipal entities within the United States. Liquidity for these ARS is typically provided by an auction process that resets the applicable interest rate at pre-determined intervals. In February 2008 and continuing in 2009, these securities failed to sell at auction. These failed auctions represent liquidity risk exposure and are not defaults or credit events. As holder of the securities, the Company continues to receive interest on the ARS, and the securities continue to be auctioned at pre-determined intervals (typically every 28 days) until the auction succeeds, the issuer calls the securities, or they mature.

The Company purchased all of the ARS it holds from UBS. In October 2008, the Company received an offer (the "Offer") from UBS for a put right (the "ARSR") permitting the Company to sell all of its ARS to UBS at par value at a future date (any time during a two-year period beginning June 30, 2010). The Offer also included a commitment to loan the Company 75% of the UBS-determined value of the ARS at any time until the put is exercised at a variable interest rate that will equal the lesser of: (i) the applicable reference rate plus a spread set forth in the applicable credit agreement and (ii) the then-applicable weighted average interest or dividend rate paid to the Company by the issuer of the ARS that is pledged to UBS as collateral. The Offer was non-transferable and would have expired on November 14, 2008. During November 2008, the Company accepted the Offer. In exchange for the Offer, the Company provided UBS with a general release of claims (other than certain consequential damages claims) concerning the ARS and granted UBS the right to purchase the Company's ARS at any time for full par value.

Given the substantial dislocation in the financial markets and among financial services companies, there can be no assurance that UBS ultimately will have the ability to repurchase the Company's ARS at par, or at any other price, as these rights will be an unsecured contractual obligation of UBS, or that if UBS determines to purchase the Company's ARS at any time, the Company will be able to reinvest the cash proceeds of any such sale at the same interest rate or dividend yield currently being paid to the Company. Also, as a condition of accepting the ARSR, the Company was required to sign a release of claims against UBS, which will prevent the Company from making claims against UBS related to the Company's investment in ARS, other than claims for consequential damages.

Item 4. Controls And Procedures

a. Disclosure controls and procedures.

During the quarter ended September 30, 2009, our management, including the principal executive officer and principal financial officer, evaluated our 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")) related to the recording, processing, summarization and reporting of information in our reports that we file with the Securities and Exchange Commission. These disclosure controls and procedures have been designed to ensure that material information relating to us, including our subsidiaries, is made known to our management, including these officers, by other of our employees, and that this information is recorded, processed, summarized, evaluated and reported, as applicable, within the time periods specified in the Securities and Exchange Commission's rules and forms. 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 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. Our controls and procedures can only provide reasonable, not absolute, assurance that the above objectives have been met.

Based on their evaluation as of September 30, 2009, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) are effective as of September 30, 2009 to reasonably ensure that the 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 Securities and Exchange Commission rules and forms and that information required to be disclosed by us in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

b. Changes in internal controls over financial reporting.

There have been no changes in our internal control over financial reporting that occurred during the nine months ended September 30, 2009 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1a. Risk Factors

There were no material changes in any risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2008 filed with the Securities and Exchange Commission on March 16, 2009.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On May 3, 2008, 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 $10,000,000 pursuant to a share repurchase program established under Rule 10b-18 of the Securities Exchange Act of 1934, as amended. The amount and timing of such repurchases are dependent upon the price and availability of shares, general market conditions and the availability of cash, as determined in the discretion of our management. The repurchases are funded from our working capital. Our share repurchase program does not have an expiration date, and we may discontinue or suspend the share repurchase program at any time. All shares of common stock repurchased under our share repurchase program are held as treasury stock.

The Company did not purchase any shares of its common stock under the repurchase program during the quarter ended September 30, 2009.

Item 6. Exhibits

The following exhibits are filed with this Quarterly Report on Form 10-Q:

Exhibits:

10.1	Severance Agreement, dated September 11, 2009, by and between the Company and Jeffrey Jagid.
10.2	Severance Agreement, dated September 11, 2009, by and between the Company and Ned Mavrommatis.
10.3	Severance Agreement, dated September 11, 2009, by and between the Company and Kenneth Ehrman.
10.4	Severance Agreement, dated September 11, 2009, by and between the Company and Michael Ehrman.
10.5	I.D. Systems, Inc. 2009 Non-Employee Director Equity Compensation Plan.
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Signatures

In accordance with the requirements of the Exchange Act, the Registrant has caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

I.D. Systems, Inc.

Dated: November 6, 2009

By: /s/ Jeffrey M. Jagid
Jeffrey M. Jagid
Chief Executive Officer
(Principal Executive Officer)

Dated: November 6, 2009

By: /s/ Ned Mavrommatis
Ned Mavrommatis
Chief Financial Officer
(Principal Financial Officer)

INDEX TO EXHIBITS

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32	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Exhibit 10.1

SEVERANCE AGREEMENT

This SEVERANCE AGREEMENT (the "Agreement") is made this 11th day of September, 2009, by and between I.D. Systems, Inc., a Delaware corporation (the "Company") and Jeffrey Jagid ("Executive").

BACKGROUND:

WHEREAS, Executive is currently employed as Chief Executive Officer of the Company; and

WHEREAS, the Board of Directors of the Company (the " Board") has determined it is in the best interests of the Company to enter into this Agreement to, among other things, help retain and motivate Executive in his position with the Company.

NOW, THEREFORE, in consideration of the foregoing premises and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

1. Certain Definitions: As used in the Agreement, the following terms shall have the respective meanings set forth below:

(a) "Affiliate" of the Company means any Person that controls, is controlled by, or is under common control with, the Company. A Person shall be deemed to be in control of another Person if, and for so long as, it owns or controls more than 50% of the voting power in the election of directors (or, in the case of an entity that is not a corporation, for the election of the corresponding managing authority) of such other Person.

(b) "Cause" means Executive's (i) conviction of, or plea of nolo contendere to, a felony or crime involving moral turpitude; (ii) fraud on or misappropriation of any funds or property of the Company; (iii) willful violation of any law, rule or regulation (other than minor traffic violations or similar offenses or solely as a result of vicarious liability) or breach of fiduciary duty which results in personal profit to Executive. Executive shall be given notice of the termination of Executive's employment for Cause and shall have an opportunity to be heard by the Board with respect thereto and, to the extent that the Board deems the matter curable, shall have a reasonable period of time to cure the matter to the Board's reasonable satisfaction.

(c) "Change in Control Event" means the occurrence of any of the following events with respect to the Company:

(i) the consummation of any consolidation or merger of the Company in which the holders of the Company's common stock, par value $0.01 per share ("Common Stock") immediately prior to such consolidation or merger own less than fifty percent (50%) of the outstanding common stock of the surviving corporation immediately after the merger; or

(ii) the consummation of any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all, or substantially all, of the assets of the Company, other than to a subsidiary or Affiliate; or

(iii) any action pursuant to which any person or group (as such terms are defined in Section 13(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), shall become the "beneficial owner" (as such term is defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of shares of capital stock entitled to vote generally for the election of directors of the Company ("Voting Securities") representing more than thirty (30%) percent of the combined voting power of the Company's then outstanding Voting Securities (calculated as provided in Rule 13d-3(d) in the case of rights to acquire any such securities); or

(iv) the individuals (x) who, as of the effective date of this Agreement, constitute the Board (the "Original Directors") and (y) who thereafter are elected to the Board and whose election, or nomination for election, to the Board was approved by a vote of a majority of the Original Directors then still in office (such Directors being called "Additional Original Directors") and (z) who thereafter are elected to the Board and whose election or nomination for election to the Board was approved by a vote of a majority of the Original Directors and Additional Original Directors then still in office, cease for any reason to constitute a majority of the members of the Board.

(d) "Disability" means that Executive is incapable of performing his principal duties due to physical or mental incapacity or impairment for 120 consecutive days, or for 180 non-consecutive days, during any 12 month period.

(e) "Good Reason" means (i) a material reduction in Executive's base salary as in effect from time to time; (ii) a material reduction in Executive's authority, duties or responsibilities; (iii) Executive's principal office location being moved to a location which is more than 25 miles from the principal office location at which Executive performs services on the date this Agreement is executed or (iv) a material breach by the Company of the agreement under which Executive provides services to the Company; provided, however, that Executive must notify the Company, within 90 days of the occurrence of any of the foregoing conditions, that he considers it to be a "Good Reason" condition, and provide the Company with at least 30 days in which to cure the condition. In addition, the resignation may not occur later than 6 months after the occurrence of the condition giving rise to the resignation. If Executive fails to provide such notice and cure period prior to his resignation, or his resignation occurs later than 6 months after the initial occurrence of the condition, his resignation shall not be deemed to be for "Good Reason" and Executive shall be deemed to have waived any right to receive any of the payments or benefits set forth in Section 2 hereof.

(f) "Person" means an individual, a partnership, a limited liability company, a corporation, an association, a joint stock corporation, a trust, a joint venture, an unincorporated organization, or any court, administrative agency or commission or other federal, state, county, local or foreign governmental authority, instrumentality, agency or commission.

(g) "Release" means a general release agreement in the form annexed hereto as Exhibit A and made a part hereof.

(h) "Trigger Event" means the occurrence of either: (i) the termination of Executive's employment by the Company other than a termination for Cause; or (ii) Executive's resignation for Good Reason within 6 months following a Change in Control Event. For purposes of clarity, a termination of Executive's employment due to his death or Disability shall not be considered a termination of Executive's employment by the Company other than for Cause, and shall not constitute a Trigger Event.

2. Trigger Event Payments and Benefits.

Within 45 days after the occurrence of a Trigger Event (or such shorter period as may be required by the Release), Executive shall execute and deliver to the Company the Release. Upon the sooner 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 (such sooner date the "Release Effective Date"), Executive shall be entitled to:

(a) cash payments (collectively the "Severance Payment") at the rate of Executive's annual base salary as in effect immediately prior to the Trigger Event for a period of 18 months (the "Severance Period"), payable as set forth below. The Severance Payment shall be made as a series of separate payments in accordance with the Company's standard payroll practices (and subject to all applicable tax withholdings and deductions), commencing with the first regular payroll date on or immediately following the 60th day after the date of the Trigger Event.

(b) if Executive timely elects "COBRA" coverage and provided Executive continues to make contributions for such continuation coverage equal to Executive's contribution amount in effect immediately preceding the date of Executive's termination of employment, the Company shall waive the remaining portion of Executive's healthcare continuation payments under COBRA for the Severance Period. Notwithstanding the foregoing, in the event that Executive becomes eligible to obtain alternate healthcare coverage from a new employer before the end of the Severance Period, the Company's obligation to waive the remaining portion of Executive's healthcare continuation coverage under COBRA shall cease. Executive understands and affirms that Executive is obligated to inform the Company if Executive becomes eligible to obtain alternate healthcare coverage from a new employer before the end of the Severance Period.

(c) Executive's previously granted Company stock options and restricted stock ("Retention Shares") shall (to the extent not already then "vested"), partially "vest" and a portion of the stock options shall be exercisable, in each case on a pro-rated basis, taking into account the number of months elapsed since the date of grant as compared to the scheduled vesting date. For example, if the total number of months from the grant date until the vesting date is 36 months, and the Trigger Event occurs at the end of the 12th month after the grant date, then effective on the Release Effective Date, the total number of vested options and vested Retention Shares should be equal to 1/3 (*i.e.,* 12/36*)* of the total number of each granted. Notwithstanding anything to the contrary contained herein, the terms of the I.D. Systems, Inc. 2007 Equity Compensation Plan (the "Plan") shall govern acceleration of vesting of stock options and restricted stock in the event of a "Change of Control" as defined in the Plan.

(d) The "Performance Shares" subject to the Restricted Stock Unit Award Agreement between Executive and the Company dated as of June 29, 2009 shall be awarded 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. For example, if a Trigger Event occurs on May 1, 2010, and the Administrator (as defined in the Plan) has determined that the Stock Price Target of a stock price of $7.50 has been met with respect to the fiscal year ended December 31, 2009, then the number of Performance Shares that shall be awarded upon the Trigger Event (effective on the Release Effective Date) shall be the number equal to 1/3 of the number of Performance Shares listed in the table (contained in the Restricted Stock Unit Award Agreement) corresponding to a stock price of $7.50.

3. Covenants Agreement. As a condition to the Company's obligations hereunder, Executive shall execute and deliver to the Company an agreement in the form of Exhibit B annexed hereto and made a part hereof relating to confidentiality, assignment of inventions, non-competition and non-solicitation. The non-competition and non-solicitation covenants shall apply for a period equal to the Severance Period.

4. At Will Employment. Nothing in this Agreement shall alter Executive's status as an "at-will" employee.

5. Headings. Headings used in this Agreement are for convenience of reference only and do not affect the meaning of any provision.

6. Counterparts. This Agreement may be executed as of the same effective date in one or more counterparts, each of which shall be deemed an original.

7. Binding Agreement; Assignment. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns.

8. Governing Law; Jurisdiction. This Agreement and any and all matters arising directly or indirectly herefrom shall be governed by, and construed in accordance with, the internal laws of the State of New Jersey, without reference to the choice of law principles thereof. Any legal action, suit or other proceeding arising out of or in any way connected with this Agreement shall be brought in the courts of the State of New Jersey, or in the United States courts for the District of New Jersey. With respect to any such proceeding in any such court: (i) each party generally and unconditionally submits itself and its property to the exclusive jurisdiction of such court (and corresponding appellate courts therefrom), and (ii) each party waives, to the fullest extent permitted by law, any objection it has or hereafter may have the venue of such proceeding as well as any claim that it has or may have that such proceeding is in an inconvenient forum.

9. Amendments. This Agreement may only be amended or otherwise modified, and the provisions hereof may only be waived, by a writing executed by the parties hereto.

10. Entire Agreement. This Agreement shall constitute the entire agreement of the parties with respect to the matters covered hereby and shall supersede all previous written, oral or implied understandings between them with respect to such matters.

11. Opportunity to Consult Counsel. Executive hereby acknowledges that he has read and fully understands this Agreement, that he has been advised that Lowenstein Sandler PC is counsel to the Company and not to Executive, and that Executive has been advised to, and has had the opportunity to, consult with counsel and Executive's personal financial or tax advisor with respect to this Agreement.

12. No Effect on Other Benefits. Notwithstanding anything contained herein to the contrary, nothing contained herein shall adversely affect the rights of Executive and his dependents and beneficiaries to any and all benefits to which any of them may be entitled under the benefit plans and arrangements of the Company in accordance with the terms of such benefit plans and arrangements.

13. Section 409A.

(a) This Agreement is intended to comply with the requirements of Section 409A of the Code and regulations promulgated thereunder ("Section 409A"). To the extent that any provision in this Agreement is ambiguous as to its compliance with Section 409A, the provision shall be read in such a manner so that no payments due under this Agreement shall be subject to an "additional tax" as defined in Section 409A(a)(1)(B) of the Code. For purposes of Section 409A, each payment made under this Agreement shall be treated as a separate payment. In no event may Executive, directly or indirectly, designate the calendar year of payment.

(b) Notwithstanding anything to the contrary contained herein, if necessary to comply with the restriction in Section 409A(a)(2)(B) of the Code concerning payments to "specified employees," any payment on account of Executive's separation from service that would otherwise be due hereunder within six months after such separation shall nonetheless be delayed until the first business day of the seventh month following Executive's date of termination and the first such payment shall include the cumulative amount of any payments that would have been paid prior to such date if not for such restriction, together with interest on such cumulative amount during the period of such restriction at a rate, per annum, equal to the applicable federal short-term rate (compounded monthly) in effect under Section 1274(d) of the Code on the date of termination. For purposes of Section 2 hereof, Executive shall be a "specified employee" for the 12-month period beginning on the first day of the fourth month following each "Identification Date" if he is a "key employee" (as defined in Section 416(i) of the Code without regard to Section 416(i)(5) thereof) of the Company at any time during the 12-month period ending on the "Identification Date." For purposes of the foregoing, the Identification Date shall be December 31. Notwithstanding anything contained herein to the contrary, Executive shall not be considered to have terminated employment with the Company for purposes of Section 2 hereof unless he would be considered to have incurred a "termination of employment" from the Company within the meaning of Treasury Regulation §1.409A-1(h)(1)(ii).

(c) Executive acknowledges that any tax liability incurred by Executive under Section 409A of the Code is solely the responsibility of Executive.

14. No Mitigation. Executive shall be under no obligation to seek other employment after Executive's termination of employment with the Company, and the obligations of the Company to Executive which arise pursuant to Section 2 of this Agreement shall not be subject to mitigation or offset.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

I.D. SYSTEMS, INC.

By: /s/ Ned Mavrommatis
Name: Ned Mavrommatis
Title: CFO
Date: 9/22/09

WITNESS:

/s/ Michael Ehrman
Name: Michael Ehrman
Date: 9/22/09

EXECUTIVE:

/s/ Jeffrey Jagid
Name: Jeffrey Jagid
Date: 9-22-09

EXHIBIT A
FORM OF RELEASE

SEPARATION AND GENERAL RELEASE AGREEMENT

This Separation and General Release Agreement (the "Agreement") is entered into between _____ with an address at _____ (the "Employee") and I.D. Systems, Inc. ("ID Systems"), together with its parent, divisions, affiliates, and subsidiaries and their respective officers, directors, employees, shareholders, members, partners, plan administrators, attorneys, and agents, as well as any predecessors, future successors or assigns or estates of any of the foregoing with an address at One University Plaza, 6th Floor, Hackensack, New Jersey 07601 (the "Released Parties").

1 . Separation of Employment. Employee acknowledges and understands that Employee's last day of employment with ID Systems was _____ (the "Separation Date"). Employee acknowledges and agrees that, except as otherwise provided in this Agreement, Employee has received all compensation and benefits to which Employee is entitled as a result of Employee's employment. Employee understands that, except as otherwise provided in this Agreement, Employee is entitled to nothing further from any of the Released Parties, including reinstatement by ID Systems.

2 . Employee General Release of Released Parties. In consideration of the payments and benefits set forth in Section 4 below, Employee hereby unconditionally and irrevocably releases, waives, discharges, and gives up, to the full extent permitted by law, any and all Claims (as defined below) that Employee may have against any of the Released Parties, arising on or prior to the date of Employee's execution and delivery of this Agreement to ID Systems. "Claims" means any and all actions, charges, controversies, demands, causes of action, suits, rights, and/or claims whatsoever for debts, sums of money, wages, salary, severance pay, commissions, bonuses, unvested stock options, vacation pay, sick pay, fees and costs, attorneys fees, losses, penalties, damages, including damages for pain and suffering and emotional harm, arising, directly or indirectly, out of any promise, agreement, offer letter, contract, understanding, common law, tort, the laws, statutes, and/or regulations of the State of New Jersey or any other state and the United States, including, but not limited to, federal and state whistleblower laws, Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, the Equal Pay Act, the Americans with Disabilities Act, the Family and Medical Leave Act, the Employment Retirement Income Security Act (excluding COBRA), the Vietnam Era Veterans Readjustment Assistance Act, the Fair Credit Reporting Act, the Age Discrimination in Employment Act (" ADEA"), the Older Workers' Benefit Protection Act, the Occupational Safety and Health Act, the Sarbanes-Oxley Act of 2002, the New Jersey Law Against Discrimination, the New Jersey Family Leave Act, the New Jersey Civil Rights Act, and the New Jersey Conscientious Employee Protection Act, as each may be amended from time to time, whether arising directly or indirectly from any act or omission, whether intentional or unintentional. This Section 2 releases all Claims including those of which Employee is not aware and those not mentioned in this Agreement. Employee specifically releases any and all Claims arising out of Employee's employment with ID Systems or separation therefrom. Employee expressly acknowledges and agrees that, by entering into this Agreement, Employee is releasing and waiving any and all Claims, including, without limitation, Claims that Employee may having arising under ADEA, which have arisen on or before the date of Employee's execution and delivery of this Agreement to ID Systems.

3 . Representations; Covenant Not to Sue. Employee hereby represents and warrants to the Released Parties that Employee has not: (A) filed, caused or permitted to be filed any pending proceeding (nor has Employee lodged a complaint with any governmental or quasi-governmental authority) against any of the Released Parties, nor has Employee agreed to do any of the foregoing; (B) assigned, transferred, sold, encumbered, pledged, hypothecated, mortgaged, distributed, or otherwise disposed of or conveyed to any third party any right or Claim against any of the Released Parties that has been released in this Agreement; or (C) directly or indirectly assisted any third party in filing, causing or assisting to be filed, any Claim against any of the Released Parties. Except as set forth in Section 11 below, Employee covenants and agrees that he shall not encourage or solicit or voluntarily assist or participate in any way in the filing, reporting or prosecution by herself or any third party of a proceeding or Claim against any of the Released Parties.

4 . Payment. As good consideration for Employee's execution, delivery, and non-revocation of this Agreement, ID Systems shall provide Employee with the payments and benefits set forth in Section 2 of the Severance Agreement between Employee and ID Systems dated as of June 29, 2009, payable as set forth therein. Employee acknowledges that Employee is not otherwise entitled to receive the payments and benefits described in this Section 4 and acknowledges that nothing in this Agreement shall be deemed to be an admission of liability on the part of any of the Released Parties. Employee agrees that Employee will not seek anything further from any of the Released Parties.

5. Who is Bound. ID Systems and Employee are bound by this Agreement. Anyone who succeeds to Employee's rights and responsibilities, such as the executors of Employee's estate, is bound, and anyone who succeeds to ID Systems's rights and responsibilities, such as its successors and assigns, is also bound.

6. Cooperation. Employee agrees that, within five business days of the Separation Date, he shall provide ID Systems (attention: _____) with a written comprehensive summary of all outstanding work activities, current and prospective customer contact information, and otherwise reasonably cooperate as necessary to effect a transition of his responsibilities. Employee also agrees that he will cease from communicating with any current ID Systems employees (with the exception of _____) regarding ID Systems personnel or other business-related matters. Employee agrees to reasonably cooperate in any ID Systems investigations and/or litigation regarding events that occurred during Employee's tenure with ID Systems. ID Systems will compensate Employee for reasonable expenses Employee incurs in extending such cooperation regarding investigations and/or litigation, so long as Employee provides advance written notice of Employee's request for compensation.

7. Non Disparagement and Confidentiality. Employee agrees not to make any defamatory or derogatory statements concerning any of the Released Parties. Provided inquiries are directed to ID Systems' Department of Human Resources, ID Systems shall disclose to prospective employers information limited to Employee's dates of employment and last position held by Employee. Employee confirms and agrees that Employee shall not, directly or indirectly, disclose to any person or entity or use for Employee's own benefit, any confidential information concerning the business, finances or operations of ID Systems or its customers; provided, however, that Employee's obligations under this Section 7 shall not apply to information generally known in ID Systems' industry through no fault of Employee or the disclosure of which is required by law after reasonable notice has been provided to ID Systems sufficient to enable ID Systems to contest the disclosure. Confidential information shall include, without limitation, trade secrets, customer lists, details of contracts, pricing policies, operational materials, marketing plans or strategies, security and safety plans and strategies, project development, and any other non-public or confidential information of, or relating to, ID Systems or its affiliates. Employee also agrees that the amounts paid to Employee and all of the other terms of this Agreement shall be kept confidential, unless ID Systems discloses them in a public filing. Employee acknowledges that he continues to be bound by the Confidentiality, Assignment of Contributions and Inventions, Non-Competition and Non-Solicitation Agreement (the "Covenants Agreement").

8. Remedies. If Employee tells anyone the amount paid to Employee or any other term of this Agreement (unless ID Systems has publicly disclosed the terms of this Agreement in a public filing), breaches any other term or condition of this Agreement or the Covenants Agreement, or any representation made by Employee in this Agreement was false when made, it shall constitute a material breach of this Agreement and, in addition to and not instead of the Released Parties' other remedies hereunder, under the Covenants Agreement or otherwise at law or in equity, Employee shall be required to immediately, upon written notice from ID Systems, return the payments paid by ID Systems hereunder, less $500. Employee agrees that if Employee is required to return the payments, this Agreement shall continue to be binding on Employee and the Released Parties shall be entitled to enforce the provisions of this Agreement as if the payments had not been repaid to ID Systems and ID Systems shall have no further payment obligations to Employee hereunder. Further, in the event of a material breach of this Agreement, Employee agrees to pay all of the Released Parties' attorneys' fees and other costs associated with enforcing this Agreement.

9. ID Systems Property. Employee represents that he has returned all ID Systems property in Employee's possession, custody or control, including, but not limited to, all ID Systems equipment, samples, laptop computers, personal digital assistants, cell phones, pass codes, keys, swipe cards, documents or other materials that Employee received, prepared, or helped prepare. Employee represents that Employee has not retained any copies, duplicates, reproductions, computer disks, or excerpts thereof of ID Systems' documents.

10. Construction of Agreement. In the event that one or more of the provisions contained in this Agreement shall for any reason be held unenforceable in any respect under the law of any state of the United States or the United States, such unenforceability shall not affect any other provision of this Agreement, but this Agreement shall then be construed as if such unenforceable provision or provisions had never been contained herein or therein. If it is ever held that any restriction hereunder is too broad to permit enforcement of such restriction to its fullest extent, such restriction shall be enforced to the maximum extent permitted by applicable law. This Agreement and any and all matters arising directly or indirectly herefrom or therefrom shall be governed under the laws of the State of New Jersey, without reference to choice of law rules. ID Systems and Employee consent to the sole jurisdiction of the federal and state courts of New Jersey. **ID SYSTEMS AND EMPLOYEE HEREBY WAIVE THEIR RESPECTIVE RIGHT TO TRIAL BY JURY IN ANY ACTION CONCERNING THIS AGREEMENT OR ANY AND ALL MATTERS ARISING DIRECTLY OR INDIRECTLY HEREFROM AND REPRESENT THAT THEY HAVE CONSULTED WITH COUNSEL OF THEIR CHOICE OR HAVE CHOSEN VOLUNTARILY NOT TO DO SO SPECIFICALLY WITH RESPECT TO THIS WAIVER.**

11. Acknowledgments. ID Systems and Employee acknowledge and agree that:

(A) By entering into this Agreement, Employee does not waive any rights or Claims that may arise after the date that Employee executes and delivers this Agreement to ID Systems;

(B) This Agreement shall not affect the rights and responsibilities of the Equal Employment Opportunity Commission (the "EEOC") to enforce the ADEA and other laws, and further acknowledge and agree that this Agreement shall not be used to justify interfering with Employee's protected right to file a charge or participate in an investigation or proceeding conducted by the EEOC. Accordingly, nothing in this Agreement shall preclude Employee from filing a charge with, or participating in any manner in an investigation, hearing or proceeding conducted by, the EEOC, but Employee hereby waives any and all rights to recover under, or by virtue of, any such investigation, hearing or proceeding;

(C) Notwithstanding anything set forth in this Agreement to the contrary, nothing in this Agreement shall affect or be used to interfere with Employee's protected right to test in any court, under the Older Workers' Benefit Protection Act, or like statute or regulation, the validity of the waiver of rights under ADEA set forth in this Agreement; and

(D) Nothing in this Agreement shall preclude Employee from: exercising Employee's rights, if any (i) under Section 601-608 of the Employee Retirement Income Security Act of 1974, as amended, popularly known as COBRA, or (ii) ID Systems's pension plan or 401(k) plan, if applicable.

12. Opportunity For Review.

(A) Employee represents and warrants that Employee: (i) has had sufficient opportunity to consider this Agreement; (ii) has read this Agreement; (iii) understands all the terms and conditions hereof; (iv) is not incompetent or had a guardian, conservator or trustee appointed for Employee; (v) has entered into this Agreement of Employee's own free will and volition; (vi) has duly executed and delivered this Agreement; (vii) understands that Employee is responsible for Employee's own attorney's fees and costs; (viii) has had the opportunity to review this Agreement with counsel of Employee's choice or has chosen voluntarily not to do so; (ix) understands the Employee has been given twenty-one (21) days to review this Agreement before signing this Agreement and understands that he is free to use as much or as little of the 21-day period as he wishes or considers necessary before deciding to sign this Agreement; (x) understands that if Employee does not sign and return this Agreement to ID Systems within 21 days of his receipt, ID Systems shall have no obligation to enter into this Agreement, Employee shall not be entitled to the payments and benefits set forth in Section 4 of this Agreement, and the Separation Date shall be unaltered; and (xi) this Agreement is valid, binding and enforceable against the parties to this Agreement in accordance with its terms.

(B) This Agreement shall be effective and enforceable on the eighth (8^{th}) day after execution and delivery to ID Systems by Employee. The parties to this Agreement understand and agree that Employee may revoke this Agreement after having executed and delivered it to ID Systems by so advising ID Systems in writing no later than 11:59 p.m. on the seventh (7^{th}) day after Employee's execution and delivery of this Agreement to ID Systems. If Employee revokes this Agreement, it shall not be effective or enforceable, Employee shall not be entitled to the payments and benefits set forth in Section 4 of this Agreement, and the Separation Date shall be unaltered.

Agreed to and accepted on this ____ day of _____, 20__.

Witness:

_____

EMPLOYEE:

_____
Name:

Agreed to and accepted on this ____ day of _____, 20__.

ID SYSTEMS, INC.

_____
Name:
Title:

EXHIBIT B

FORM OF COVENANTS AGREEMENT

I.D. SYSTEMS, INC.

Confidentiality, Assignment of Contributions and Inventions, Non-Competition, and Non-Solicitation Agreement

Background. I am a paid employee of I.D. Systems, Inc., a Delaware corporation (the "Company"). I am executing this Agreement in consideration of my continued employment with the Company and the severance agreement effective as of June 29, 2009, the restricted stock award granted pursuant to the restricted stock award agreement dated as of June 29, 2009, the restricted stock unit award granted pursuant to the restricted stock unit award agreement dated as of June 29, 2009 and the stock option grant pursuant to the stock option grant agreement with a grant date of June 29, 2009.

1. **Confidentiality**. While working for the Company, I may have previously developed or acquired, or may in the future develop or acquire, knowledge in my work or from my colleagues or otherwise of Confidential Information relating to the Company, its business, potential business or that of its customers or its or their respective affiliates. "Confidential Information" includes information concerning the identity of customers or their requirements or key contacts within the customer's organization, suppliers, distributors, software programs, demonstration programs, routines, algorithms, computer systems, plans, strategies, research, formulations, processes, production methods and sources, products and specifications, equipment manufacturing and other techniques, designs, know-how, show how, trade secrets, inventions, improvements, discoveries, concepts, methodology, formulas, drawings, maps, manuals, models, specifications, records, files, memoranda, notes, reports, files, correspondence, financial and sales data, pricing lists or terms, trading terms, training materials and methods, marketing, distribution, and merchandising techniques and strategies, evaluations, opinions and interpretations, together with all other writings or materials of any type embodying any of the foregoing and any and all other technical, operating, financial, and business information or materials relating to the Company, its customers or its or their respective affiliates, whether or not reduced to writing or other medium and whether or not marked or labeled confidential, proprietary, or the like, regardless of whether created by me, others or both. Confidential Information does not include information that is or becomes public domain without fault on my part. I will have the burden of proof with respect to the exclusion of any information from the definition of "Confidential Information."

With respect to Confidential Information of the Company, its customers and its or their respective affiliates, I agree that:

(a) The Confidential Information is and will continue to be the sole and exclusive property of the Company;

(b) Except as required under applicable law or pursuant to any judicial process or administrative proceeding with subpoena powers, I will use the Confidential Information only in the performance of my duties for the Company. I will not use the Confidential Information at any time (during or after my employment with the Company or any of its affiliates) for my personal benefit, for the benefit of any other Person or in any manner adverse to the interests of the Company, its customers or its or their respective affiliates;

(c) Except as required under applicable law or pursuant to any judicial process or administrative proceeding with subpoena powers, I will not disclose the Confidential Information at any time (during or after my employment with the Company or any of its affiliates) except to authorized Company personnel, unless the Company consents in advance in writing or unless the Confidential Information indisputably becomes of public knowledge or enters the public domain (without fault on my part);

(d) I will safeguard the Confidential Information by all reasonable steps and abide by all policies and procedures of the Company and its customers in effect from time to time regarding storage, copying, destroying, publication or posting, or handling of such Confidential Information, in whatever medium or format that Confidential Information takes;

(e) Except as required under applicable law or pursuant to any judicial process or administrative proceeding with subpoena powers, I will execute and abide by all confidentiality agreements that the Company reasonably requests me to sign or abide by, whether those agreements are for the benefit of the Company, an affiliate or an actual or a potential customer or supplier thereof;

(f) I will return all materials containing or relating to Confidential Information, together with all other Company or customer property, to the Company when my employment with the Company or any of its affiliates terminates (either voluntary or involuntary) or upon the Company's earlier request. I shall not retain any copies or reproductions of correspondence, memoranda, reports, notebooks, drawings, photographs, or other documents relating in any way to the business or affairs of the Company, its customers or its or their respective affiliates; and

(g) Upon any termination of my employment with the Company, I will acknowledge to the Company, in writing and under oath, in the form attached hereto as Exhibit A that I have complied with this Agreement.

As used herein, the term "Person" means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization or a governmental entity or department, agency or subdivision of the government entity.

For purposes of clauses (b), (c) and (e), in the event of any required disclosure, I will promptly notify the Company and reasonably cooperate and assist the Company in resisting such disclosure in the event it chooses to do so.

2. **Contributions and Inventions.** While employed by the Company, I may make Contributions and Inventions deemed by the Company to have value to it. The terms "Contributions" and "Inventions" are understood to include all information, ideas, concepts, technology, improvements, discoveries, formulae, inventions, creations, discoveries, techniques, designs, methods, trade secrets, technical specifications and data, works, modifications, processes, know-how, show-how, concepts, expressions, improvements, works of authorship (including computer programs), ideas and other developments, whether or not they are patentable or copyrightable or subject to analogous protection and regardless of their form or state of development and whether or not I have made them alone or with others, together with any and all rights to U.S. or foreign applications for patents, inventor's certifications or other industrial rights that may be filed thereon, including divisions, continuations-in-part, reissues and/or extensions thereof.

This Agreement covers Contributions and Inventions of any kind that are conceived or made by me, alone or with others, while I am employed by the Company, regardless of whether they are conceived or made during regular working hours or at my place of work (whether located at the Company, customer facilities, at home or elsewhere) and that (i) relate to the Company's business or potential business or that of its affiliates, (ii) result from tasks assigned to me by the Company, or (iii) are conceived or made with the use of the Company's time, facilities, resources, or materials. With respect to Contributions or Inventions covered by this Agreement, I agree that:

(a) I will disclose them promptly to the Company. I will not disclose them to anyone other than authorized Company personnel;

(b) They will belong solely to the Company from conception as "works made for hire" (as that term is used under U.S. copyright law) or otherwise. To the extent that title to any such Contributions and Inventions do not, by operation of law, vest in the Company, I hereby irrevocably assign to the Company all right, title and interest, including, without limitation, tangible and intangible rights such as patent rights, trademarks, and copyrights, that I may have or may acquire in and to all such Contributions and Inventions, benefits and/or rights resulting therefrom, and agree to promptly execute any further specific assignments related to such Contributions or Inventions, benefits and/or rights at the request of the Company. If the Company wants more specific or formal evidence of this, I will sign written documents of assignment at the Company's request. I also hereby assign to the Company, or waive if not assignable, all "moral rights" in and to any Contributions and Inventions and agree promptly to execute any further specific assignments or waivers related to moral rights at the request of the Company; and

(c) I will, at any time, either during the time I am employed by the Company or thereafter, assist the Company in obtaining and maintaining patent, copyright, trademark, mask works and other protection for them, in all countries and territories, at the Company's expense. In the event that the Company is unable to secure my signature after reasonable effort in connection with any patent, trademark, copyright, mask work or other similar protection relating to a Contribution or an Invention, I hereby irrevocably designate and appoint the Company and its duly authorized officers and agents as my agent and attorney-in-fact, to act for and on my behalf and stead to execute and file any such application and to do all other lawfully permitted acts to further the prosecution and issuance of patents, trademarks, copyrights, mask works or other similar protection thereon with the same legal force and effect as if executed by me.

(d) Any Contributions or Inventions relating to the business of the Company and disclosed to the Company within 6 months following the termination of my employment shall be deemed to fall within the provisions of this Section 2. The "business of the Company' as used in this Section 2 includes the actual business conducted by the Company or any of its affiliates at any time during my employment with the Company, as well as any business in which the Company or any of its affiliates, at any time during my employment with the Company, proposes or proposes to engage.

3 . **Obligations to Prior Employers or Others**. I do not have any non-disclosure, non-compete, non-solicitation or other obligations to any previous employer or other Person that would prohibit, limit, conflict or interfere with my obligations under this Agreement or the performance of my duties for the Company. I will not disclose to the Company or its customers or induce the Company or its customers to use any secret or confidential information or material belonging to others, including my former employers, if any.

4. **Excluded Information**. A complete list, by non-confidential descriptive title of all Contributions, Inventions, ideas, reports or other creative works, if any, made or conceived by me prior to my employment by the Company and intended to be excluded from this Agreement, is attached as Exhibit B. I shall not assert any rights under any Contributions, Inventions, ideas, reports or other creative works as having been made or acquired by me prior to my being employed by the Company, unless such Contributions, Inventions, ideas, reports or other creative works are identified on Exhibit B. If, after the date of this Agreement, I believe that any Contribution or Invention is excluded from this Agreement, I agree to obtain written authorization from the Company, prior to applying for any patent on the Contribution or Invention, and prior to taking any steps to commercially exploit the Contribution or Invention.

5. **Covenant Against Competition and Solicitation**.

(a) I acknowledge and understand that, in view of my position as an employee of the Company, I may have previously been afforded, or in the future may be afforded, access to the Company's Confidential Information and that of its affiliates. I therefore agree that during the course of my employment with the Company or any of its affiliates and for a period of 18 months after termination of my employment with the Company and all of its affiliates (for any reason or no reason) (the "Restricted Period"), I will not, anywhere within the United States of America or any other country or territory in which the Company or its affiliates conducts business, either directly or indirectly, whether alone or as an employee, employer, consultant, independent contractor, agent, principal, partner, joint venturer, stockholder, member, officer, director or otherwise of any company or other business enterprise, or in any other individual or representative capacity, engage in, assist in, participate in, or otherwise be connected to or benefit from any Competitive Business. As used in this Agreement, "Competitive Business" shall mean any individual, entity, or business enterprise that is engaged in or is seeking to engage in: (i) the development, design, manufacture, marketing, sale and/or distribution of tracking and monitoring products; or (ii) the development, design, manufacture, marketing, sale and/or distribution of any products that are directly competitive with products that (a) represent at least 10% of the Company's consolidated product revenues, (b) were first sold or distributed by the Company or any of its affiliates during the preceding 12-month period, or (c) are being developed, produced, marketed and/or distributed by the Company or any of its affiliates and are scheduled to be first sold or distributed by the Company within a 12-month period; provided, however, that for purposes of this definition, a business shall be a "Competitive Business," as it applies during the 12 month period after termination of my employment only if the Company is engaged or is actively seeking to engage in that business on the date of my termination of employment with the Company or was engaged or actively seeking to engage in that business at any time during the preceding 12 months.

(b) During the Restricted Period, I will not, without the express prior written consent of the Company, directly or indirectly: (i) solicit, induce, or assist any third person in soliciting or inducing any Person that is (or was at any time within the 12 months prior to the solicitation or inducement) an employee, consultant, independent contractor or agent of the Company or any of its affiliates to leave the employment of the Company or any of its affiliates or cease performing services as an independent contractor, consultant or agent of the Company or any of its affiliates; (ii) hire, engage, or assist any third party in hiring or engaging, any individual that is or was (at any time within the 12 months prior to the attempted hiring) an employee of the Company or any of its affiliates; or (iii) contact, communicate, solicit, or transact any business with or assist any third party in contacting, communicating, soliciting, or transacting any business with any Person that is or was (at any time within 12 months prior to the contact, communication, solicitation, or transaction) a customer, distributor or supplier of the Company or its affiliates (or Person who, at any time during the 12 months prior to the contact, communication, solicitation, or transaction, the Company or its affiliates contacted, communicated with or solicited for the purposes of becoming a customer, distributor, or supplier of the Company or its affiliates and I was in any way involved or otherwise had knowledge of or reasonably should have had knowledge of such contact, communication, or solicitation) for the purposes of inducing such customer, distributor, or supplier or potential customer, distributor, or supplier to be connected to or benefit from any business competitive with that of the Company or its affiliates or terminate its or their business relationship with the Company or its affiliates.

6. **Non-Disparagement**. I will not at any time (during or after my employment with the Company) disparage the reputation of the Company, its affiliates, or any of its or their respective officers and directors.

7. **Interpretation and Scope of this Agreement**.

(a) In the event that any court of competent jurisdiction shall determine that any one or more of the provisions contained in this Agreement shall be unenforceable in any respect, then such provision shall be deemed limited and restricted to the extent that the court shall deem the provision to be enforceable. It is the intention of the parties to this Agreement that the covenants and restrictions in this Agreement be given the broadest interpretation permitted by law. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision hereof. The covenants and restrictions contained in this Agreement shall be deemed a series of separate covenants and restrictions. If, in any judicial proceeding, a court of competent jurisdiction should refuse to enforce all of the separate covenants and restrictions in this Agreement, then such unenforceable covenants and restrictions shall be deemed eliminated from the provisions of this Agreement for the purpose of such proceeding to the extent necessary to permit the remaining separate covenants and restrictions to be enforced in such proceeding.

(b) I acknowledge that the restrictions on the activities in which I may engage that are set forth in this Agreement and the location and period of time for which such restrictions apply are reasonable and necessary to protect the legitimate business interests of the Company and shall survive the termination of my employment. I understand that the Company's business is global and, accordingly, the restrictions cannot be limited to any particular geographic area. I further acknowledge that the restrictions contained in this Agreement will not prevent me from earning a livelihood during the applicable period of restriction.

(c) I understand and agree that if I breach or threaten to breach any of the provisions of this Agreement, including, without limitation, the provisions of Sections 1, 2, 5 or 6 hereof, the Company would suffer irreparable harm and damages would be an inadequate remedy. Accordingly, I acknowledge that, in the event of any breach or threatened breach by me of any of the provisions of this Agreement, the Company shall be entitled to temporary, preliminary and permanent injunctive or other equitable relief in any court of competent jurisdiction (without being required to post a bond or other collateral) and to an equitable accounting of all earnings, profits and other benefits arising, directly or indirectly, from such violation, which rights shall be cumulative and in addition to (rather than instead of) any other rights or remedies to which the Company may be entitled at law or in equity. In addition (and not instead of those rights), I further covenant that I shall be responsible for payment of the reasonable fees and expenses of the Company's attorneys and experts, as well as the Company's court costs, pertaining to any suit, arbitration, mediation, action or other proceeding (including the costs of any investigation related thereto) in which the Company prevails, arising directly or indirectly out of my violation or threatened violation of any of the provisions of this Agreement. If the Company does not prevail in any suit, arbitration, mediation, action or other proceeding arising directly or indirectly out of my purported violation of any of the provisions of this Agreement, the Company shall be responsible for payment of the reasonable fees and expenses of attorneys and experts that I incur, as well as my court costs, pertaining to any such suit, arbitration, mediation, action or other proceeding (including the costs of any investigation related thereto).

(d) This Agreement shall be binding upon me, my heirs, assigns and personal representatives and shall inure to the benefit of the Company, its affiliates and their respective successors and assigns (including, without limitation, the purchaser of all or substantially all of its assets).

(e) This Agreement shall constitute the entire agreement between Company and myself with respect to the matters covered hereby and shall supersede all previous written, oral or implied understandings between us with respect to such matters.

(f) I acknowledge that my employment with the Company is "at-will." I understand that nothing contained in this Agreement shall give me a right to continue in the employ of the Company, and the right to terminate my employment with the Company, at any time, with or without cause, is specifically reserved to the Company. I also understand that I may resign from employment with the Company at any time in my discretion.

(g) Any and all actions or controversies arising out of this Agreement, Employee's employment by the Company or termination therefrom, including, without limitation, tort claims, shall be construed and enforced in accordance with the internal laws of the State of New Jersey, without regard to the choice of law principles thereof.

I represent and warrant that: (a) I have read this Agreement; (b) I understand all the terms and conditions hereof; (c) I have entered into this Agreement of my own free will and volition; (d) I have been advised by the Company to seek and have, to the extent I have deemed necessary, received the advice of counsel of any own selection; and (e) the terms of this Agreement are fair, reasonable and are being agreed to voluntarily in exchange for my continued employment with the Company and the severance agreement effective as of June 29, 2009, the restricted stock award granted pursuant to the restricted stock award agreement dated as of June 29, 2009, the restricted stock unit award granted pursuant to the restricted stock unit award agreement dated as of June 29, 2009 and the stock option grant pursuant to the stock option grant agreement with a grant date of June 29, 2009.

Date: 9-22-09

/s/ Jeffrey Jagid
Name: Jeffrey Jagid

Accepted:

I.D. SYSTEMS, INC.

By: /s/ Ned Mavrommatis

EXHIBIT A

STATE OF NEW JERSEY
COUNTY OF _____

The undersigned, being duly sworn, does hereby certify that he/she has complied with, and will continue to comply with, for the applicable period set forth therein, all of the terms of the Confidentiality, Assignment of Contributions and Inventions, Non Competition and Non-Solicitation Agreement dated _____ __, 200_ by the Undersigned in favor of I.D. Systems, Inc. (the "Company"). I have returned all Company property and all materials relating to or containing Confidential Information to the Company and I have not retained any copies or reproductions of any correspondence, memoranda, reports, notebooks, drawings, photographs or other documents or materials relating to the affairs of the Company, its customers and its or their affiliates.

_____
Name:

Sworn and Subscribed to
before me this ____ day of
_____, _____

_____

EXHIBIT B

Excluded Information
(See Section 4. If None, type "NONE")

NONE

Exhibit 10.2

SEVERANCE AGREEMENT

This SEVERANCE AGREEMENT (the "Agreement") is made this 11th day of September, 2009, by and between I.D. Systems, Inc., a Delaware corporation (the "Company") and Ned Mavrommatis ("Executive").

BACKGROUND:

WHEREAS, Executive is currently employed as Chief Financial Officer of the Company; and

WHEREAS, the Board of Directors of the Company (the "Board") has determined it is in the best interests of the Company to enter into this Agreement to, among other things, help retain and motivate Executive in his position with the Company.

NOW, THEREFORE, in consideration of the foregoing premises and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

1. Certain Definitions: As used in the Agreement, the following terms shall have the respective meanings set forth below:

(a) "Affiliate" of the Company means any Person that controls, is controlled by, or is under common control with, the Company. A Person shall be deemed to be in control of another Person if, and for so long as, it owns or controls more than 50% of the voting power in the election of directors (or, in the case of an entity that is not a corporation, for the election of the corresponding managing authority) of such other Person.

(b) "Cause" means Executive's (i) conviction of, or plea of nolo contendere to, a felony or crime involving moral turpitude; (ii) fraud on or misappropriation of any funds or property of the Company; (iii) willful violation of any law, rule or regulation (other than minor traffic violations or similar offenses or solely as a result of vicarious liability) or breach of fiduciary duty which results in personal profit to Executive. Executive shall be given notice of the termination of Executive's employment for Cause and shall have an opportunity to be heard by the Board with respect thereto and, to the extent that the Board deems the matter curable, shall have a reasonable period of time to cure the matter to the Board's reasonable satisfaction.

(c) "Change in Control Event" means the occurrence of any of the following events with respect to the Company:

(i) the consummation of any consolidation or merger of the Company in which the holders of the Company's common stock, par value $0.01 per share ("Common Stock") immediately prior to such consolidation or merger own less than fifty percent (50%) of the outstanding common stock of the surviving corporation immediately after the merger; or

(ii) the consummation of any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all, or substantially all, of the assets of the Company, other than to a subsidiary or Affiliate; or

(iii) any action pursuant to which any person or group (as such terms are defined in Section 13(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), shall become the "beneficial owner" (as such term is defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of shares of capital stock entitled to vote generally for the election of directors of the Company ("Voting Securities") representing more than thirty (30%) percent of the combined voting power of the Company's then outstanding Voting Securities (calculated as provided in Rule 13d-3(d) in the case of rights to acquire any such securities); or

(iv) the individuals (x) who, as of the effective date of this Agreement, constitute the Board (the "Original Directors") and (y) who thereafter are elected to the Board and whose election, or nomination for election, to the Board was approved by a vote of a majority of the Original Directors then still in office (such Directors being called "Additional Original Directors") and (z) who thereafter are elected to the Board and whose election or nomination for election to the Board was approved by a vote of a majority of the Original Directors and Additional Original Directors then still in office, cease for any reason to constitute a majority of the members of the Board.

(d) "Disability" means that Executive is incapable of performing his principal duties due to physical or mental incapacity or impairment for 120 consecutive days, or for 180 non-consecutive days, during any 12 month period.

(e) "Good Reason" means (i) a material reduction in Executive's base salary as in effect from time to time; (ii) a material reduction in Executive's authority, duties or responsibilities; (iii) Executive's principal office location being moved to a location which is more than 25 miles from the principal office location at which Executive performs services on the date this Agreement is executed or (iv) a material breach by the Company of the agreement under which Executive provides services to the Company; provided, however, that Executive must notify the Company, within 90 days of the occurrence of any of the foregoing conditions, that he considers it to be a "Good Reason" condition, and provide the Company with at least 30 days in which to cure the condition. In addition, the resignation may not occur later than 6 months after the occurrence of the condition giving rise to the resignation. If Executive fails to provide such notice and cure period prior to his resignation, or his resignation occurs later than 6 months after the initial occurrence of the condition, his resignation shall not be deemed to be for "Good Reason" and Executive shall be deemed to have waived any right to receive any of the payments or benefits set forth in Section 2 hereof.

(f) "Person" means an individual, a partnership, a limited liability company, a corporation, an association, a joint stock corporation, a trust, a joint venture, an unincorporated organization, or any court, administrative agency or commission or other federal, state, county, local or foreign governmental authority, instrumentality, agency or commission.

(g) "Release" means a general release agreement in the form annexed hereto as Exhibit A and made a part hereof.

(h) "Trigger Event" means the occurrence of either: (i) the termination of Executive's employment by the Company other than a termination for Cause; or (ii) Executive's resignation for Good Reason within 6 months following a Change in Control Event. For purposes of clarity, a termination of Executive's employment due to his death or Disability shall not be considered a termination of Executive's employment by the Company other than for Cause, and shall not constitute a Trigger Event.

2. Trigger Event Payments and Benefits.

Within 45 days after the occurrence of a Trigger Event (or such shorter period as may be required by the Release), Executive shall execute and deliver to the Company the Release. Upon the sooner 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 (such sooner date the "Release Effective Date"), Executive shall be entitled to:

(a) cash payments (collectively the "Severance Payment") at the rate of Executive's annual base salary as in effect immediately prior to the Trigger Event for a period of 12 months (the "Severance Period"), payable as set forth below. The Severance Payment shall be made as a series of separate payments in accordance with the Company's standard payroll practices (and subject to all applicable tax withholdings and deductions), commencing with the first regular payroll date on or immediately following the 60th day after the date of the Trigger Event.

(b) if Executive timely elects "COBRA" coverage and provided Executive continues to make contributions for such continuation coverage equal to Executive's contribution amount in effect immediately preceding the date of Executive's termination of employment, the Company shall waive the remaining portion of Executive's healthcare continuation payments under COBRA for the Severance Period. Notwithstanding the foregoing, in the event that Executive becomes eligible to obtain alternate healthcare coverage from a new employer before the end of the Severance Period, the Company's obligation to waive the remaining portion of Executive's healthcare continuation coverage under COBRA shall cease. Executive understands and affirms that Executive is obligated to inform the Company if Executive becomes eligible to obtain alternate healthcare coverage from a new employer before the end of the Severance Period.

(c) Executive's previously granted Company stock options and restricted stock ("Retention Shares") shall (to the extent not already then "vested"), partially "vest" and a portion of the stock options shall be exercisable, in each case on a pro-rated basis, taking into account the number of months elapsed since the date of grant as compared to the scheduled vesting date. For example, if the total number of months from the grant date until the vesting date is 36 months, and the Trigger Event occurs at the end of the 12th month after the grant date, then effective on the Release Effective Date, the total number of vested options and vested Retention Shares should be equal to 1/3 (*i.e.,* 12/36*)* of the total number of each granted. Notwithstanding anything to the contrary contained herein, the terms of the I.D. Systems, Inc. 2007 Equity Compensation Plan (the "Plan") shall govern acceleration of vesting of stock options and restricted stock in the event of a "Change of Control" as defined in the Plan.

(d) The "Performance Shares" subject to the Restricted Stock Unit Award Agreement between Executive and the Company dated as of June 29, 2009 shall be awarded 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. For example, if a Trigger Event occurs on May 1, 2010, and the Administrator (as defined in the Plan) has determined that the Stock Price Target of a stock price of $7.50 has been met with respect to the fiscal year ended December 31, 2009, then the number of Performance Shares that shall be awarded upon the Trigger Event (effective on the Release Effective Date) shall be the number equal to 1/3 of the number of Performance Shares listed in the table (contained in the Restricted Stock Unit Award Agreement) corresponding to a stock price of $7.50.

3. Covenants Agreement. As a condition to the Company's obligations hereunder, Executive shall execute and deliver to the Company an agreement in the form of Exhibit B annexed hereto and made a part hereof relating to confidentiality, assignment of inventions, non-competition and non-solicitation. The non-competition and non-solicitation covenants shall apply for a period equal to the Severance Period.

4. At Will Employment. Nothing in this Agreement shall alter Executive's status as an "at-will" employee.

5. Headings. Headings used in this Agreement are for convenience of reference only and do not affect the meaning of any provision.

6. Counterparts. This Agreement may be executed as of the same effective date in one or more counterparts, each of which shall be deemed an original.

7. Binding Agreement; Assignment. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns.

8. Governing Law; Jurisdiction. This Agreement and any and all matters arising directly or indirectly herefrom shall be governed by, and construed in accordance with, the internal laws of the State of New Jersey, without reference to the choice of law principles thereof. Any legal action, suit or other proceeding arising out of or in any way connected with this Agreement shall be brought in the courts of the State of New Jersey, or in the United States courts for the District of New Jersey. With respect to any such proceeding in any such court: (i) each party generally and unconditionally submits itself and its property to the exclusive jurisdiction of such court (and corresponding appellate courts therefrom), and (ii) each party waives, to the fullest extent permitted by law, any objection it has or hereafter may have the venue of such proceeding as well as any claim that it has or may have that such proceeding is in an inconvenient forum.

9 . Amendments. This Agreement may only be amended or otherwise modified, and the provisions hereof may only be waived, by a writing executed by the parties hereto.

1 0 . Entire Agreement. This Agreement shall constitute the entire agreement of the parties with respect to the matters covered hereby and shall supersede all previous written, oral or implied understandings between them with respect to such matters.

11. Opportunity to Consult Counsel. Executive hereby acknowledges that he has read and fully understands this Agreement, that he has been advised that Lowenstein Sandler PC is counsel to the Company and not to Executive, and that Executive has been advised to, and has had the opportunity to, consult with counsel and Executive's personal financial or tax advisor with respect to this Agreement.

1 2 . No Effect on Other Benefits. Notwithstanding anything contained herein to the contrary, nothing contained herein shall adversely affect the rights of Executive and his dependents and beneficiaries to any and all benefits to which any of them may be entitled under the benefit plans and arrangements of the Company in accordance with the terms of such benefit plans and arrangements.

13. Section 409A.

(a) This Agreement is intended to comply with the requirements of Section 409A of the Code and regulations promulgated thereunder ("Section 409A"). To the extent that any provision in this Agreement is ambiguous as to its compliance with Section 409A, the provision shall be read in such a manner so that no payments due under this Agreement shall be subject to an "additional tax" as defined in Section 409A(a)(1)(B) of the Code. For purposes of Section 409A, each payment made under this Agreement shall be treated as a separate payment. In no event may Executive, directly or indirectly, designate the calendar year of payment.

(b) Notwithstanding anything to the contrary contained herein, if necessary to comply with the restriction in Section 409A(a)(2)(B) of the Code concerning payments to "specified employees," any payment on account of Executive's separation from service that would otherwise be due hereunder within six months after such separation shall nonetheless be delayed until the first business day of the seventh month following Executive's date of termination and the first such payment shall include the cumulative amount of any payments that would have been paid prior to such date if not for such restriction, together with interest on such cumulative amount during the period of such restriction at a rate, per annum, equal to the applicable federal short-term rate (compounded monthly) in effect under Section 1274(d) of the Code on the date of termination. For purposes of Section 2 hereof, Executive shall be a "specified employee" for the 12-month period beginning on the first day of the fourth month following each "Identification Date" if he is a "key employee" (as defined in Section 416(i) of the Code without regard to Section 416(i)(5) thereof) of the Company at any time during the 12-month period ending on the "Identification Date." For purposes of the foregoing, the Identification Date shall be December 31. Notwithstanding anything contained herein to the contrary, Executive shall not be considered to have terminated employment with the Company for purposes of Section 2 hereof unless he would be considered to have incurred a "termination of employment" from the Company within the meaning of Treasury Regulation §1.409A-1(h)(1)(ii).

(c) Executive acknowledges that any tax liability incurred by Executive under Section 409A of the Code is solely the responsibility of Executive.

1 4 . No Mitigation. Executive shall be under no obligation to seek other employment after Executive's termination of employment with the Company, and the obligations of the Company to Executive which arise pursuant to Section 2 of this Agreement shall not be subject to mitigation or offset.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

I.D. SYSTEMS, INC.

By: /s/ Jeffrey Jagid
Name: Jeffrey Jagid
Title: Chairman and CEO
Date: 9-22-09

WITNESS:

/s/ Ken Ehrman
Name: Ken Ehrman
Date: Sep 22, 2009

EXECUTIVE:

/s/ Ned Mavrommatis
Name: Ned Mavrommatis
Date: 9/22/09

EXHIBIT A
FORM OF RELEASE

SEPARATION AND GENERAL RELEASE AGREEMENT

This Separation and General Release Agreement (the "Agreement") is entered into between _____ with an address at _____ (the "Employee") and I.D. Systems, Inc. ("ID Systems"), together with its parent, divisions, affiliates, and subsidiaries and their respective officers, directors, employees, shareholders, members, partners, plan administrators, attorneys, and agents, as well as any predecessors, future successors or assigns or estates of any of the foregoing with an address at One University Plaza, 6th Floor, Hackensack, New Jersey 07601 (the "Released Parties").

1 . Separation of Employment. Employee acknowledges and understands that Employee's last day of employment with ID Systems was _____ (the "Separation Date"). Employee acknowledges and agrees that, except as otherwise provided in this Agreement, Employee has received all compensation and benefits to which Employee is entitled as a result of Employee's employment. Employee understands that, except as otherwise provided in this Agreement, Employee is entitled to nothing further from any of the Released Parties, including reinstatement by ID Systems.

2 . Employee General Release of Released Parties. In consideration of the payments and benefits set forth in Section 4 below, Employee hereby unconditionally and irrevocably releases, waives, discharges, and gives up, to the full extent permitted by law, any and all Claims (as defined below) that Employee may have against any of the Released Parties, arising on or prior to the date of Employee's execution and delivery of this Agreement to ID Systems. "Claims" means any and all actions, charges, controversies, demands, causes of action, suits, rights, and/or claims whatsoever for debts, sums of money, wages, salary, severance pay, commissions, bonuses, unvested stock options, vacation pay, sick pay, fees and costs, attorneys fees, losses, penalties, damages, including damages for pain and suffering and emotional harm, arising, directly or indirectly, out of any promise, agreement, offer letter, contract, understanding, common law, tort, the laws, statutes, and/or regulations of the State of New Jersey or any other state and the United States, including, but not limited to, federal and state whistleblower laws, Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, the Equal Pay Act, the Americans with Disabilities Act, the Family and Medical Leave Act, the Employment Retirement Income Security Act (excluding COBRA), the Vietnam Era Veterans Readjustment Assistance Act, the Fair Credit Reporting Act, the Age Discrimination in Employment Act (" ADEA"), the Older Workers' Benefit Protection Act, the Occupational Safety and Health Act, the Sarbanes-Oxley Act of 2002, the New Jersey Law Against Discrimination, the New Jersey Family Leave Act, the New Jersey Civil Rights Act, and the New Jersey Conscientious Employee Protection Act, as each may be amended from time to time, whether arising directly or indirectly from any act or omission, whether intentional or unintentional. This Section 2 releases all Claims including those of which Employee is not aware and those not mentioned in this Agreement. Employee specifically releases any and all Claims arising out of Employee's employment with ID Systems or separation therefrom. Employee expressly acknowledges and agrees that, by entering into this Agreement, Employee is releasing and waiving any and all Claims, including, without limitation, Claims that Employee may having arising under ADEA, which have arisen on or before the date of Employee's execution and delivery of this Agreement to ID Systems.

3 . Representations; Covenant Not to Sue. Employee hereby represents and warrants to the Released Parties that Employee has not: (A) filed, caused or permitted to be filed any pending proceeding (nor has Employee lodged a complaint with any governmental or quasi-governmental authority) against any of the Released Parties, nor has Employee agreed to do any of the foregoing; (B) assigned, transferred, sold, encumbered, pledged, hypothecated, mortgaged, distributed, or otherwise disposed of or conveyed to any third party any right or Claim against any of the Released Parties that has been released in this Agreement; or (C) directly or indirectly assisted any third party in filing, causing or assisting to be filed, any Claim against any of the Released Parties. Except as set forth in Section 11 below, Employee covenants and agrees that he shall not encourage or solicit or voluntarily assist or participate in any way in the filing, reporting or prosecution by herself or any third party of a proceeding or Claim against any of the Released Parties.

4 . Payment. As good consideration for Employee's execution, delivery, and non-revocation of this Agreement, ID Systems shall provide Employee with the payments and benefits set forth in Section 2 of the Severance Agreement between Employee and ID Systems dated as of June 29, 2009, payable as set forth therein. Employee acknowledges that Employee is not otherwise entitled to receive the payments and benefits described in this Section 4 and acknowledges that nothing in this Agreement shall be deemed to be an admission of liability on the part of any of the Released Parties. Employee agrees that Employee will not seek anything further from any of the Released Parties.

5. Who is Bound. ID Systems and Employee are bound by this Agreement. Anyone who succeeds to Employee's rights and responsibilities, such as the executors of Employee's estate, is bound, and anyone who succeeds to ID Systems's rights and responsibilities, such as its successors and assigns, is also bound.

6. Cooperation. Employee agrees that, within five business days of the Separation Date, he shall provide ID Systems (attention: _____) with a written comprehensive summary of all outstanding work activities, current and prospective customer contact information, and otherwise reasonably cooperate as necessary to effect a transition of his responsibilities. Employee also agrees that he will cease from communicating with any current ID Systems employees (with the exception of _____) regarding ID Systems personnel or other business-related matters. Employee agrees to reasonably cooperate in any ID Systems investigations and/or litigation regarding events that occurred during Employee's tenure with ID Systems. ID Systems will compensate Employee for reasonable expenses Employee incurs in extending such cooperation regarding investigations and/or litigation, so long as Employee provides advance written notice of Employee's request for compensation.

7. Non Disparagement and Confidentiality. Employee agrees not to make any defamatory or derogatory statements concerning any of the Released Parties. Provided inquiries are directed to ID Systems' Department of Human Resources, ID Systems shall disclose to prospective employers information limited to Employee's dates of employment and last position held by Employee. Employee confirms and agrees that Employee shall not, directly or indirectly, disclose to any person or entity or use for Employee's own benefit, any confidential information concerning the business, finances or operations of ID Systems or its customers; provided, however, that Employee's obligations under this Section 7 shall not apply to information generally known in ID Systems' industry through no fault of Employee or the disclosure of which is required by law after reasonable notice has been provided to ID Systems sufficient to enable ID Systems to contest the disclosure. Confidential information shall include, without limitation, trade secrets, customer lists, details of contracts, pricing policies, operational materials, marketing plans or strategies, security and safety plans and strategies, project development, and any other non-public or confidential information of, or relating to, ID Systems or its affiliates. Employee also agrees that the amounts paid to Employee and all of the other terms of this Agreement shall be kept confidential, unless ID Systems discloses them in a public filing. Employee acknowledges that he continues to be bound by the Confidentiality, Assignment of Contributions and Inventions, Non-Competition and Non-Solicitation Agreement (the "Covenants Agreement").

8. Remedies. If Employee tells anyone the amount paid to Employee or any other term of this Agreement (unless ID Systems has publicly disclosed the terms of this Agreement in a public filing), breaches any other term or condition of this Agreement or the Covenants Agreement, or any representation made by Employee in this Agreement was false when made, it shall constitute a material breach of this Agreement and, in addition to and not instead of the Released Parties' other remedies hereunder, under the Covenants Agreement or otherwise at law or in equity, Employee shall be required to immediately, upon written notice from ID Systems, return the payments paid by ID Systems hereunder, less $500. Employee agrees that if Employee is required to return the payments, this Agreement shall continue to be binding on Employee and the Released Parties shall be entitled to enforce the provisions of this Agreement as if the payments had not been repaid to ID Systems and ID Systems shall have no further payment obligations to Employee hereunder. Further, in the event of a material breach of this Agreement, Employee agrees to pay all of the Released Parties' attorneys' fees and other costs associated with enforcing this Agreement.

9. ID Systems Property. Employee represents that he has returned all ID Systems property in Employee's possession, custody or control, including, but not limited to, all ID Systems equipment, samples, laptop computers, personal digital assistants, cell phones, pass codes, keys, swipe cards, documents or other materials that Employee received, prepared, or helped prepare. Employee represents that Employee has not retained any copies, duplicates, reproductions, computer disks, or excerpts thereof of ID Systems' documents.

10. Construction of Agreement. In the event that one or more of the provisions contained in this Agreement shall for any reason be held unenforceable in any respect under the law of any state of the United States or the United States, such unenforceability shall not affect any other provision of this Agreement, but this Agreement shall then be construed as if such unenforceable provision or provisions had never been contained herein or therein. If it is ever held that any restriction hereunder is too broad to permit enforcement of such restriction to its fullest extent, such restriction shall be enforced to the maximum extent permitted by applicable law. This Agreement and any and all matters arising directly or indirectly herefrom or therefrom shall be governed under the laws of the State of New Jersey, without reference to choice of law rules. ID Systems and Employee consent to the sole jurisdiction of the federal and state courts of New Jersey. **ID SYSTEMS AND EMPLOYEE HEREBY WAIVE THEIR RESPECTIVE RIGHT TO TRIAL BY JURY IN ANY ACTION CONCERNING THIS AGREEMENT OR ANY AND ALL MATTERS ARISING DIRECTLY OR INDIRECTLY HEREFROM AND REPRESENT THAT THEY HAVE CONSULTED WITH COUNSEL OF THEIR CHOICE OR HAVE CHOSEN VOLUNTARILY NOT TO DO SO SPECIFICALLY WITH RESPECT TO THIS WAIVER.**

11. Acknowledgments. ID Systems and Employee acknowledge and agree that:

(A) By entering into this Agreement, Employee does not waive any rights or Claims that may arise after the date that Employee executes and delivers this Agreement to ID Systems;

(B) This Agreement shall not affect the rights and responsibilities of the Equal Employment Opportunity Commission (the "EEOC") to enforce the ADEA and other laws, and further acknowledge and agree that this Agreement shall not be used to justify interfering with Employee's protected right to file a charge or participate in an investigation or proceeding conducted by the EEOC. Accordingly, nothing in this Agreement shall preclude Employee from filing a charge with, or participating in any manner in an investigation, hearing or proceeding conducted by, the EEOC, but Employee hereby waives any and all rights to recover under, or by virtue of, any such investigation, hearing or proceeding;

(C) Notwithstanding anything set forth in this Agreement to the contrary, nothing in this Agreement shall affect or be used to interfere with Employee's protected right to test in any court, under the Older Workers' Benefit Protection Act, or like statute or regulation, the validity of the waiver of rights under ADEA set forth in this Agreement; and

(D) Nothing in this Agreement shall preclude Employee from: exercising Employee's rights, if any (i) under Section 601-608 of the Employee Retirement Income Security Act of 1974, as amended, popularly known as COBRA, or (ii) ID Systems's pension plan or 401(k) plan, if applicable.

12. Opportunity For Review.

(A) Employee represents and warrants that Employee: (i) has had sufficient opportunity to consider this Agreement; (ii) has read this Agreement; (iii) understands all the terms and conditions hereof; (iv) is not incompetent or had a guardian, conservator or trustee appointed for Employee; (v) has entered into this Agreement of Employee's own free will and volition; (vi) has duly executed and delivered this Agreement; (vii) understands that Employee is responsible for Employee's own attorney's fees and costs; (viii) has had the opportunity to review this Agreement with counsel of Employee's choice or has chosen voluntarily not to do so; (ix) understands the Employee has been given twenty-one (21) days to review this Agreement before signing this Agreement and understands that he is free to use as much or as little of the 21-day period as he wishes or considers necessary before deciding to sign this Agreement; (x) understands that if Employee does not sign and return this Agreement to ID Systems within 21 days of his receipt, ID Systems shall have no obligation to enter into this Agreement, Employee shall not be entitled to the payments and benefits set forth in Section 4 of this Agreement, and the Separation Date shall be unaltered; and (xi) this Agreement is valid, binding and enforceable against the parties to this Agreement in accordance with its terms.

(B) This Agreement shall be effective and enforceable on the eighth (8^{th}) day after execution and delivery to ID Systems by Employee. The parties to this Agreement understand and agree that Employee may revoke this Agreement after having executed and delivered it to ID Systems by so advising ID Systems in writing no later than 11:59 p.m. on the seventh (7^{th}) day after Employee's execution and delivery of this Agreement to ID Systems. If Employee revokes this Agreement, it shall not be effective or enforceable, Employee shall not be entitled to the payments and benefits set forth in Section 4 of this Agreement, and the Separation Date shall be unaltered.

Agreed to and accepted on this ____ day of _____, 20__.

Witness:

_____

EMPLOYEE:

_____
Name:

Agreed to and accepted on this ____ day of _____, 20__.

ID SYSTEMS, INC.

_____
Name:
Title:

EXHIBIT B
FORM OF COVENANTS AGREEMENT

I.D. SYSTEMS, INC.

Confidentiality, Assignment of Contributions and Inventions, Non-Competition, and Non-Solicitation Agreement

Background. I am a paid employee of I.D. Systems, Inc., a Delaware corporation (the "Company"). I am executing this Agreement in consideration of my continued employment with the Company and the severance agreement effective as of June 29, 2009, the restricted stock award granted pursuant to the restricted stock award agreement dated as of June 29, 2009, the restricted stock unit award granted pursuant to the restricted stock unit award agreement dated as of June 29, 2009 and the stock option grant pursuant to the stock option grant agreement with a grant date of June 29, 2009.

1. **Confidentiality**. While working for the Company, I may have previously developed or acquired, or may in the future develop or acquire, knowledge in my work or from my colleagues or otherwise of Confidential Information relating to the Company, its business, potential business or that of its customers or its or their respective affiliates. "Confidential Information" includes information concerning the identity of customers or their requirements or key contacts within the customer's organization, suppliers, distributors, software programs, demonstration programs, routines, algorithms, computer systems, plans, strategies, research, formulations, processes, production methods and sources, products and specifications, equipment manufacturing and other techniques, designs, know-how, show how, trade secrets, inventions, improvements, discoveries, concepts, methodology, formulas, drawings, maps, manuals, models, specifications, records, files, memoranda, notes, reports, files, correspondence, financial and sales data, pricing lists or terms, trading terms, training materials and methods, marketing, distribution, and merchandising techniques and strategies, evaluations, opinions and interpretations, together with all other writings or materials of any type embodying any of the foregoing and any and all other technical, operating, financial, and business information or materials relating to the Company, its customers or its or their respective affiliates, whether or not reduced to writing or other medium and whether or not marked or labeled confidential, proprietary, or the like, regardless of whether created by me, others or both. Confidential Information does not include information that is or becomes public domain without fault on my part. I will have the burden of proof with respect to the exclusion of any information from the definition of "Confidential Information."

With respect to Confidential Information of the Company, its customers and its or their respective affiliates, I agree that:

(a) The Confidential Information is and will continue to be the sole and exclusive property of the Company;

(b) Except as required under applicable law or pursuant to any judicial process or administrative proceeding with subpoena powers, I will use the Confidential Information only in the performance of my duties for the Company. I will not use the Confidential Information at any time (during or after my employment with the Company or any of its affiliates) for my personal benefit, for the benefit of any other Person or in any manner adverse to the interests of the Company, its customers or its or their respective affiliates;

(c) Except as required under applicable law or pursuant to any judicial process or administrative proceeding with subpoena powers, I will not disclose the Confidential Information at any time (during or after my employment with the Company or any of its affiliates) except to authorized Company personnel, unless the Company consents in advance in writing or unless the Confidential Information indisputably becomes of public knowledge or enters the public domain (without fault on my part);

(d) I will safeguard the Confidential Information by all reasonable steps and abide by all policies and procedures of the Company and its customers in effect from time to time regarding storage, copying, destroying, publication or posting, or handling of such Confidential Information, in whatever medium or format that Confidential Information takes;

(e) Except as required under applicable law or pursuant to any judicial process or administrative proceeding with subpoena powers, I will execute and abide by all confidentiality agreements that the Company reasonably requests me to sign or abide by, whether those agreements are for the benefit of the Company, an affiliate or an actual or a potential customer or supplier thereof;

(f) I will return all materials containing or relating to Confidential Information, together with all other Company or customer property, to the Company when my employment with the Company or any of its affiliates terminates (either voluntary or involuntary) or upon the Company's earlier request. I shall not retain any copies or reproductions of correspondence, memoranda, reports, notebooks, drawings, photographs, or other documents relating in any way to the business or affairs of the Company, its customers or its or their respective affiliates; and

(g) Upon any termination of my employment with the Company, I will acknowledge to the Company, in writing and under oath, in the form attached hereto as Exhibit A that I have complied with this Agreement.

As used herein, the term "Person" means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization or a governmental entity or department, agency or subdivision of the government entity.

For purposes of clauses (b), (c) and (e), in the event of any required disclosure, I will promptly notify the Company and reasonably cooperate and assist the Company in resisting such disclosure in the event it chooses to do so.

2. **Contributions and Inventions.** While employed by the Company, I may make Contributions and Inventions deemed by the Company to have value to it. The terms "Contributions" and "Inventions" are understood to include all information, ideas, concepts, technology, improvements, discoveries, formulae, inventions, creations, discoveries, techniques, designs, methods, trade secrets, technical specifications and data, works, modifications, processes, know-how, show-how, concepts, expressions, improvements, works of authorship (including computer programs), ideas and other developments, whether or not they are patentable or copyrightable or subject to analogous protection and regardless of their form or state of development and whether or not I have made them alone or with others, together with any and all rights to U.S. or foreign applications for patents, inventor's certifications or other industrial rights that may be filed thereon, including divisions, continuations-in-part, reissues and/or extensions thereof.

This Agreement covers Contributions and Inventions of any kind that are conceived or made by me, alone or with others, while I am employed by the Company, regardless of whether they are conceived or made during regular working hours or at my place of work (whether located at the Company, customer facilities, at home or elsewhere) and that (i) relate to the Company's business or potential business or that of its affiliates, (ii) result from tasks assigned to me by the Company, or (iii) are conceived or made with the use of the Company's time, facilities, resources, or materials. With respect to Contributions or Inventions covered by this Agreement, I agree that:

(a) I will disclose them promptly to the Company. I will not disclose them to anyone other than authorized Company personnel;

(b) They will belong solely to the Company from conception as "works made for hire" (as that term is used under U.S. copyright law) or otherwise. To the extent that title to any such Contributions and Inventions do not, by operation of law, vest in the Company, I hereby irrevocably assign to the Company all right, title and interest, including, without limitation, tangible and intangible rights such as patent rights, trademarks, and copyrights, that I may have or may acquire in and to all such Contributions and Inventions, benefits and/or rights resulting therefrom, and agree to promptly execute any further specific assignments related to such Contributions or Inventions, benefits and/or rights at the request of the Company. If the Company wants more specific or formal evidence of this, I will sign written documents of assignment at the Company's request. I also hereby assign to the Company, or waive if not assignable, all "moral rights" in and to any Contributions and Inventions and agree promptly to execute any further specific assignments or waivers related to moral rights at the request of the Company; and

(c) I will, at any time, either during the time I am employed by the Company or thereafter, assist the Company in obtaining and maintaining patent, copyright, trademark, mask works and other protection for them, in all countries and territories, at the Company's expense. In the event that the Company is unable to secure my signature after reasonable effort in connection with any patent, trademark, copyright, mask work or other similar protection relating to a Contribution or an Invention, I hereby irrevocably designate and appoint the Company and its duly authorized officers and agents as my agent and attorney-in-fact, to act for and on my behalf and stead to execute and file any such application and to do all other lawfully permitted acts to further the prosecution and issuance of patents, trademarks, copyrights, mask works or other similar protection thereon with the same legal force and effect as if executed by me.

(d) Any Contributions or Inventions relating to the business of the Company and disclosed to the Company within 6 months following the termination of my employment shall be deemed to fall within the provisions of this Section 2. The "business of the Company' as used in this Section 2 includes the actual business conducted by the Company or any of its affiliates at any time during my employment with the Company, as well as any business in which the Company or any of its affiliates, at any time during my employment with the Company, proposes or proposes to engage.

3 . **Obligations to Prior Employers or Others**. I do not have any non-disclosure, non-compete, non-solicitation or other obligations to any previous employer or other Person that would prohibit, limit, conflict or interfere with my obligations under this Agreement or the performance of my duties for the Company. I will not disclose to the Company or its customers or induce the Company or its customers to use any secret or confidential information or material belonging to others, including my former employers, if any.

4. **Excluded Information**. A complete list, by non-confidential descriptive title of all Contributions, Inventions, ideas, reports or other creative works, if any, made or conceived by me prior to my employment by the Company and intended to be excluded from this Agreement, is attached as Exhibit B. I shall not assert any rights under any Contributions, Inventions, ideas, reports or other creative works as having been made or acquired by me prior to my being employed by the Company, unless such Contributions, Inventions, ideas, reports or other creative works are identified on Exhibit B. If, after the date of this Agreement, I believe that any Contribution or Invention is excluded from this Agreement, I agree to obtain written authorization from the Company, prior to applying for any patent on the Contribution or Invention, and prior to taking any steps to commercially exploit the Contribution or Invention.

5. **Covenant Against Competition and Solicitation**.

(a) I acknowledge and understand that, in view of my position as an employee of the Company, I may have previously been afforded, or in the future may be afforded, access to the Company's Confidential Information and that of its affiliates. I therefore agree that during the course of my employment with the Company or any of its affiliates and for a period of 12 months after termination of my employment with the Company and all of its affiliates (for any reason or no reason) (the "Restricted Period"), I will not, anywhere within the United States of America or any other country or territory in which the Company or its affiliates conducts business, either directly or indirectly, whether alone or as an employee, employer, consultant, independent contractor, agent, principal, partner, joint venturer, stockholder, member, officer, director or otherwise of any company or other business enterprise, or in any other individual or representative capacity, engage in, assist in, participate in, or otherwise be connected to or benefit from any Competitive Business. As used in this Agreement, "Competitive Business" shall mean any individual, entity, or business enterprise that is engaged in or is seeking to engage in: (i) the development, design, manufacture, marketing, sale and/or distribution of tracking and monitoring products; or (ii) the development, design, manufacture, marketing, sale and/or distribution of any products that are directly competitive with products that (a) represent at least 10% of the Company's consolidated product revenues, (b) were first sold or distributed by the Company or any of its affiliates during the preceding 12-month period, or (c) are being developed, produced, marketed and/or distributed by the Company or any of its affiliates and are scheduled to be first sold or distributed by the Company within a 12-month period; provided, however, that for purposes of this definition, a business shall be a "Competitive Business," as it applies during the 12 month period after termination of my employment only if the Company is engaged or is actively seeking to engage in that business on the date of my termination of employment with the Company or was engaged or actively seeking to engage in that business at any time during the preceding 12 months.

(b) During the Restricted Period, I will not, without the express prior written consent of the Company, directly or indirectly: (i) solicit, induce, or assist any third person in soliciting or inducing any Person that is (or was at any time within the 12 months prior to the solicitation or inducement) an employee, consultant, independent contractor or agent of the Company or any of its affiliates to leave the employment of the Company or any of its affiliates or cease performing services as an independent contractor, consultant or agent of the Company or any of its affiliates; (ii) hire, engage, or assist any third party in hiring or engaging, any individual that is or was (at any time within the 12 months prior to the attempted hiring) an employee of the Company or any of its affiliates; or (iii) contact, communicate, solicit, or transact any business with or assist any third party in contacting, communicating, soliciting, or transacting any business with any Person that is or was (at any time within 12 months prior to the contact, communication, solicitation, or transaction) a customer, distributor or supplier of the Company or its affiliates (or Person who, at any time during the 12 months prior to the contact, communication, solicitation, or transaction, the Company or its affiliates contacted, communicated with or solicited for the purposes of becoming a customer, distributor, or supplier of the Company or its affiliates and I was in any way involved or otherwise had knowledge of or reasonably should have had knowledge of such contact, communication, or solicitation) for the purposes of inducing such customer, distributor, or supplier or potential customer, distributor, or supplier to be connected to or benefit from any business competitive with that of the Company or its affiliates or terminate its or their business relationship with the Company or its affiliates.

6. **Non-Disparagement**. I will not at any time (during or after my employment with the Company) disparage the reputation of the Company, its affiliates, or any of its or their respective officers and directors.

7. **Interpretation and Scope of this Agreement**.

(a) In the event that any court of competent jurisdiction shall determine that any one or more of the provisions contained in this Agreement shall be unenforceable in any respect, then such provision shall be deemed limited and restricted to the extent that the court shall deem the provision to be enforceable. It is the intention of the parties to this Agreement that the covenants and restrictions in this Agreement be given the broadest interpretation permitted by law. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision hereof. The covenants and restrictions contained in this Agreement shall be deemed a series of separate covenants and restrictions. If, in any judicial proceeding, a court of competent jurisdiction should refuse to enforce all of the separate covenants and restrictions in this Agreement, then such unenforceable covenants and restrictions shall be deemed eliminated from the provisions of this Agreement for the purpose of such proceeding to the extent necessary to permit the remaining separate covenants and restrictions to be enforced in such proceeding.

(b) I acknowledge that the restrictions on the activities in which I may engage that are set forth in this Agreement and the location and period of time for which such restrictions apply are reasonable and necessary to protect the legitimate business interests of the Company and shall survive the termination of my employment. I understand that the Company's business is global and, accordingly, the restrictions cannot be limited to any particular geographic area. I further acknowledge that the restrictions contained in this Agreement will not prevent me from earning a livelihood during the applicable period of restriction.

(c) I understand and agree that if I breach or threaten to breach any of the provisions of this Agreement, including, without limitation, the provisions of Sections 1, 2, 5 or 6 hereof, the Company would suffer irreparable harm and damages would be an inadequate remedy. Accordingly, I acknowledge that, in the event of any breach or threatened breach by me of any of the provisions of this Agreement, the Company shall be entitled to temporary, preliminary and permanent injunctive or other equitable relief in any court of competent jurisdiction (without being required to post a bond or other collateral) and to an equitable accounting of all earnings, profits and other benefits arising, directly or indirectly, from such violation, which rights shall be cumulative and in addition to (rather than instead of) any other rights or remedies to which the Company may be entitled at law or in equity. In addition (and not instead of those rights), I further covenant that I shall be responsible for payment of the reasonable fees and expenses of the Company's attorneys and experts, as well as the Company's court costs, pertaining to any suit, arbitration, mediation, action or other proceeding (including the costs of any investigation related thereto) in which the Company prevails, arising directly or indirectly out of my violation or threatened violation of any of the provisions of this Agreement. If the Company does not prevail in any suit, arbitration, mediation, action or other proceeding arising directly or indirectly out of my purported violation of any of the provisions of this Agreement, the Company shall be responsible for payment of the reasonable fees and expenses of attorneys and experts that I incur, as well as my court costs, pertaining to any such suit, arbitration, mediation, action or other proceeding (including the costs of any investigation related thereto).

(d) This Agreement shall be binding upon me, my heirs, assigns and personal representatives and shall inure to the benefit of the Company, its affiliates and their respective successors and assigns (including, without limitation, the purchaser of all or substantially all of its assets).

(e) This Agreement shall constitute the entire agreement between Company and myself with respect to the matters covered hereby and shall supersede all previous written, oral or implied understandings between us with respect to such matters.

(f) I acknowledge that my employment with the Company is "at-will." I understand that nothing contained in this Agreement shall give me a right to continue in the employ of the Company, and the right to terminate my employment with the Company, at any time, with or without cause, is specifically reserved to the Company. I also understand that I may resign from employment with the Company at any time in my discretion.

(g) Any and all actions or controversies arising out of this Agreement, Employee's employment by the Company or termination therefrom, including, without limitation, tort claims, shall be construed and enforced in accordance with the internal laws of the State of New Jersey, without regard to the choice of law principles thereof.

I represent and warrant that: (a) I have read this Agreement; (b) I understand all the terms and conditions hereof; (c) I have entered into this Agreement of my own free will and volition; (d) I have been advised by the Company to seek and have, to the extent I have deemed necessary, received the advice of counsel of any own selection; and (e) the terms of this Agreement are fair, reasonable and are being agreed to voluntarily in exchange for my continued employment with the Company and the severance agreement effective as of June 29, 2009, the restricted stock award granted pursuant to the restricted stock award agreement dated as of June 29, 2009, the restricted stock unit award granted pursuant to the restricted stock unit award agreement dated as of June 29, 2009 and the stock option grant pursuant to the stock option grant agreement with a grant date of June 29, 2009.

Date: 9/22/09

/s/ Ned Mavrommatis
Name:

Accepted:

I.D. SYSTEMS, INC.

By: /s/ Jeffrey Jagid

EXHIBIT A

STATE OF NEW JERSEY
COUNTY OF _____

The undersigned, being duly sworn, does hereby certify that he/she has complied with, and will continue to comply with, for the applicable period set forth therein, all of the terms of the Confidentiality, Assignment of Contributions and Inventions, Non Competition and Non-Solicitation Agreement dated _____ __, 200_ by the Undersigned in favor of I.D. Systems, Inc. (the "Company"). I have returned all Company property and all materials relating to or containing Confidential Information to the Company and I have not retained any copies or reproductions of any correspondence, memoranda, reports, notebooks, drawings, photographs or other documents or materials relating to the affairs of the Company, its customers and its or their affiliates.

_____
Name:

Sworn and Subscribed to
before me this ____ day of
_____, _____

_____

EXHIBIT B

Excluded Information
(See Section 4. If None, type "NONE")

NONE

Exhibit 10.3

SEVERANCE AGREEMENT

This SEVERANCE AGREEMENT (the "Agreement") is made this 11th day of September, 2009, by and between I.D. Systems, Inc., a Delaware corporation (the "Company") and Kenneth Ehrman ("Executive").

BACKGROUND:

WHEREAS, Executive is currently employed as President and Chief Operating Officer of the Company; and

WHEREAS, the Board of Directors of the Company (the " Board") has determined it is in the best interests of the Company to enter into this Agreement to, among other things, help retain and motivate Executive in his position with the Company.

NOW, THEREFORE, in consideration of the foregoing premises and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

1. Certain Definitions: As used in the Agreement, the following terms shall have the respective meanings set forth below:

(a) "Affiliate" of the Company means any Person that controls, is controlled by, or is under common control with, the Company. A Person shall be deemed to be in control of another Person if, and for so long as, it owns or controls more than 50% of the voting power in the election of directors (or, in the case of an entity that is not a corporation, for the election of the corresponding managing authority) of such other Person.

(b) "Cause" means Executive's (i) conviction of, or plea of nolo contendere to, a felony or crime involving moral turpitude; (ii) fraud on or misappropriation of any funds or property of the Company; (iii) willful violation of any law, rule or regulation (other than minor traffic violations or similar offenses or solely as a result of vicarious liability) or breach of fiduciary duty which results in personal profit to Executive. Executive shall be given notice of the termination of Executive's employment for Cause and shall have an opportunity to be heard by the Board with respect thereto and, to the extent that the Board deems the matter curable, shall have a reasonable period of time to cure the matter to the Board's reasonable satisfaction.

(c) "Change in Control Event" means the occurrence of any of the following events with respect to the Company:

(i) the consummation of any consolidation or merger of the Company in which the holders of the Company's common stock, par value $0.01 per share ("Common Stock") immediately prior to such consolidation or merger own less than fifty percent (50%) of the outstanding common stock of the surviving corporation immediately after the merger; or

(ii) the consummation of any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all, or substantially all, of the assets of the Company, other than to a subsidiary or Affiliate; or

(iii) any action pursuant to which any person or group (as such terms are defined in Section 13(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), shall become the "beneficial owner" (as such term is defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of shares of capital stock entitled to vote generally for the election of directors of the Company ("Voting Securities") representing more than thirty (30%)percent of the combined voting power of the Company's then outstanding Voting Securities (calculated as provided in Rule 13d-3(d) in the case of rights to acquire any such securities); or

(iv) the individuals (x) who, as of the effective date of this Agreement, constitute the Board (the "Original Directors") and (y) who thereafter are elected to the Board and whose election, or nomination for election, to the Board was approved by a vote of a majority of the Original Directors then still in office (such Directors being called "Additional Original Directors") and (z) who thereafter are elected to the Board and whose election or nomination for election to the Board was approved by a vote of a majority of the Original Directors and Additional Original Directors then still in office, cease for any reason to constitute a majority of the members of the Board.

(d) "Disability" means that Executive is incapable of performing his principal duties due to physical or mental incapacity or impairment for 120 consecutive days, or for 180 non-consecutive days, during any 12 month period.

(e) "Good Reason" means (i) a material reduction in Executive's base salary as in effect from time to time; (ii) a material reduction in Executive's authority, duties or responsibilities; (iii) Executive's principal office location being moved to a location which is more than 25 miles from the principal office location at which Executive performs services on the date this Agreement is executed or (iv) a material breach by the Company of the agreement under which Executive provides services to the Company; provided, however, that Executive must notify the Company, within 90 days of the occurrence of any of the foregoing conditions, that he considers it to be a "Good Reason" condition, and provide the Company with at least 30 days in which to cure the condition. In addition, the resignation may not occur later than 6 months after the occurrence of the condition giving rise to the resignation. If Executive fails to provide such notice and cure period prior to his resignation, or his resignation occurs later than 6 months after the initial occurrence of the condition, his resignation shall not be deemed to be for "Good Reason" and Executive shall be deemed to have waived any right to receive any of the payments or benefits set forth in Section 2 hereof.

(f) "Person" means an individual, a partnership, a limited liability company, a corporation, an association, a joint stock corporation, a trust, a joint venture, an unincorporated organization, or any court, administrative agency or commission or other federal, state, county, local or foreign governmental authority, instrumentality, agency or commission.

(g) "Release" means a general release agreement in the form annexed hereto as Exhibit A and made a part hereof.

(h) "Trigger Event" means the occurrence of either: (i) the termination of Executive's employment by the Company other than a termination for Cause; or (ii) Executive's resignation for Good Reason within 6 months following a Change in Control Event. For purposes of clarity, a termination of Executive's employment due to his death or Disability shall not be considered a termination of Executive's employment by the Company other than for Cause, and shall not constitute a Trigger Event.

2. Trigger Event Payments and Benefits.

Within 45 days after the occurrence of a Trigger Event (or such shorter period as may be required by the Release), Executive shall execute and deliver to the Company the Release. Upon the sooner 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 (such sooner date the "Release Effective Date"), Executive shall be entitled to:

(a) cash payments (collectively the "Severance Payment") at the rate of Executive's annual base salary as in effect immediately prior to the Trigger Event for a period of 12 months (the "Severance Period"), payable as set forth below. The Severance Payment shall be made as a series of separate payments in accordance with the Company's standard payroll practices (and subject to all applicable tax withholdings and deductions), commencing with the first regular payroll date on or immediately following the 60th day after the date of the Trigger Event.

(b) if Executive timely elects "COBRA" coverage and provided Executive continues to make contributions for such continuation coverage equal to Executive's contribution amount in effect immediately preceding the date of Executive's termination of employment, the Company shall waive the remaining portion of Executive's healthcare continuation payments under COBRA for the Severance Period. Notwithstanding the foregoing, in the event that Executive becomes eligible to obtain alternate healthcare coverage from a new employer before the end of the Severance Period, the Company's obligation to waive the remaining portion of Executive's healthcare continuation coverage under COBRA shall cease. Executive understands and affirms that Executive is obligated to inform the Company if Executive becomes eligible to obtain alternate healthcare coverage from a new employer before the end of the Severance Period.

(c) Executive's previously granted Company stock options and restricted stock ("Retention Shares") shall (to the extent not already then "vested"), partially "vest" and a portion of the stock options shall be exercisable, in each case on a pro-rated basis, taking into account the number of months elapsed since the date of grant as compared to the scheduled vesting date. For example, if the total number of months from the grant date until the vesting date is 36 months, and the Trigger Event occurs at the end of the 12th month after the grant date, then effective on the Release Effective Date, the total number of vested options and vested Retention Shares should be equal to 1/3 (*i.e.,* 12/36*)* of the total number of each granted. Notwithstanding anything to the contrary contained herein, the terms of the I.D. Systems, Inc. 2007 Equity Compensation Plan (the "Plan") shall govern acceleration of vesting of stock options and restricted stock in the event of a "Change of Control" as defined in the Plan.

(d) The "Performance Shares" subject to the Restricted Stock Unit Award Agreement between Executive and the Company dated as of June 29, 2009 shall be awarded 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. For example, if a Trigger Event occurs on May 1, 2010, and the Administrator (as defined in the Plan) has determined that the Stock Price Target of a stock price of $7.50 has been met with respect to the fiscal year ended December 31, 2009, then the number of Performance Shares that shall be awarded upon the Trigger Event (effective on the Release Effective Date) shall be the number equal to 1/3 of the number of Performance Shares listed in the table (contained in the Restricted Stock Unit Award Agreement) corresponding to a stock price of $7.50.

3. Covenants Agreement. As a condition to the Company's obligations hereunder, Executive shall execute and deliver to the Company an agreement in the form of Exhibit B annexed hereto and made a part hereof relating to confidentiality, assignment of inventions, non-competition and non-solicitation. The non-competition and non-solicitation covenants shall apply for a period equal to the Severance Period.

4. At Will Employment. Nothing in this Agreement shall alter Executive's status as an "at-will" employee.

5. Headings. Headings used in this Agreement are for convenience of reference only and do not affect the meaning of any provision.

6. Counterparts. This Agreement may be executed as of the same effective date in one or more counterparts, each of which shall be deemed an original.

7. Binding Agreement; Assignment. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns.

8. Governing Law; Jurisdiction. This Agreement and any and all matters arising directly or indirectly herefrom shall be governed by, and construed in accordance with, the internal laws of the State of New Jersey, without reference to the choice of law principles thereof. Any legal action, suit or other proceeding arising out of or in any way connected with this Agreement shall be brought in the courts of the State of New Jersey, or in the United States courts for the District of New Jersey. With respect to any such proceeding in any such court: (i) each party generally and unconditionally submits itself and its property to the exclusive jurisdiction of such court (and corresponding appellate courts therefrom), and (ii) each party waives, to the fullest extent permitted by law, any objection it has or hereafter may have the venue of such proceeding as well as any claim that it has or may have that such proceeding is in an inconvenient forum.

9. Amendments. This Agreement may only be amended or otherwise modified, and the provisions hereof may only be waived, by a writing executed by the parties hereto.

10. Entire Agreement. This Agreement shall constitute the entire agreement of the parties with respect to the matters covered hereby and shall supersede all previous written, oral or implied understandings between them with respect to such matters.

11. Opportunity to Consult Counsel. Executive hereby acknowledges that he has read and fully understands this Agreement, that he has been advised that Lowenstein Sandler PC is counsel to the Company and not to Executive, and that Executive has been advised to, and has had the opportunity to, consult with counsel and Executive's personal financial or tax advisor with respect to this Agreement.

12. No Effect on Other Benefits. Notwithstanding anything contained herein to the contrary, nothing contained herein shall adversely affect the rights of Executive and his dependents and beneficiaries to any and all benefits to which any of them may be entitled under the benefit plans and arrangements of the Company in accordance with the terms of such benefit plans and arrangements.

13. Section 409A.

(a) This Agreement is intended to comply with the requirements of Section 409A of the Code and regulations promulgated thereunder ("Section 409A"). To the extent that any provision in this Agreement is ambiguous as to its compliance with Section 409A, the provision shall be read in such a manner so that no payments due under this Agreement shall be subject to an "additional tax" as defined in Section 409A(a)(1)(B) of the Code. For purposes of Section 409A, each payment made under this Agreement shall be treated as a separate payment. In no event may Executive, directly or indirectly, designate the calendar year of payment.

(b) Notwithstanding anything to the contrary contained herein, if necessary to comply with the restriction in Section 409A(a)(2)(B) of the Code concerning payments to "specified employees," any payment on account of Executive's separation from service that would otherwise be due hereunder within six months after such separation shall nonetheless be delayed until the first business day of the seventh month following Executive's date of termination and the first such payment shall include the cumulative amount of any payments that would have been paid prior to such date if not for such restriction, together with interest on such cumulative amount during the period of such restriction at a rate, per annum, equal to the applicable federal short-term rate (compounded monthly) in effect under Section 1274(d) of the Code on the date of termination. For purposes of Section 2 hereof, Executive shall be a "specified employee" for the 12-month period beginning on the first day of the fourth month following each "Identification Date" if he is a "key employee" (as defined in Section 416(i) of the Code without regard to Section 416(i)(5) thereof) of the Company at any time during the 12-month period ending on the "Identification Date." For purposes of the foregoing, the Identification Date shall be December 31. Notwithstanding anything contained herein to the contrary, Executive shall not be considered to have terminated employment with the Company for purposes of Section 2 hereof unless he would be considered to have incurred a "termination of employment" from the Company within the meaning of Treasury Regulation §1.409A-1(h)(1)(ii).

(c) Executive acknowledges that any tax liability incurred by Executive under Section 409A of the Code is solely the responsibility of Executive.

14. No Mitigation. Executive shall be under no obligation to seek other employment after Executive's termination of employment with the Company, and the obligations of the Company to Executive which arise pursuant to Section 2 of this Agreement shall not be subject to mitigation or offset.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

I.D. SYSTEMS, INC.

By: /s/ Ned Mavrommatis
Name: Ned Mavrommatis
Title: CFO
Date: 9/22/09

WITNESS:

/s/ Michael Ehrman
Name: Michael Ehrman
Date: 9/22/09

EXECUTIVE:

/s/ Ken Ehrman
Name: Ken Ehrman
Date: 9/22/09

EXHIBIT A
FORM OF RELEASE

SEPARATION AND GENERAL RELEASE AGREEMENT

This Separation and General Release Agreement (the "Agreement") is entered into between _____ with an address at _____ (the "Employee") and I.D. Systems, Inc. ("ID Systems"), together with its parent, divisions, affiliates, and subsidiaries and their respective officers, directors, employees, shareholders, members, partners, plan administrators, attorneys, and agents, as well as any predecessors, future successors or assigns or estates of any of the foregoing with an address at One University Plaza, 6th Floor, Hackensack, New Jersey 07601 (the "Released Parties").

1 . Separation of Employment. Employee acknowledges and understands that Employee's last day of employment with ID Systems was _____ (the "Separation Date"). Employee acknowledges and agrees that, except as otherwise provided in this Agreement, Employee has received all compensation and benefits to which Employee is entitled as a result of Employee's employment. Employee understands that, except as otherwise provided in this Agreement, Employee is entitled to nothing further from any of the Released Parties, including reinstatement by ID Systems.

2 . Employee General Release of Released Parties. In consideration of the payments and benefits set forth in Section 4 below, Employee hereby unconditionally and irrevocably releases, waives, discharges, and gives up, to the full extent permitted by law, any and all Claims (as defined below) that Employee may have against any of the Released Parties, arising on or prior to the date of Employee's execution and delivery of this Agreement to ID Systems. "Claims" means any and all actions, charges, controversies, demands, causes of action, suits, rights, and/or claims whatsoever for debts, sums of money, wages, salary, severance pay, commissions, bonuses, unvested stock options, vacation pay, sick pay, fees and costs, attorneys fees, losses, penalties, damages, including damages for pain and suffering and emotional harm, arising, directly or indirectly, out of any promise, agreement, offer letter, contract, understanding, common law, tort, the laws, statutes, and/or regulations of the State of New Jersey or any other state and the United States, including, but not limited to, federal and state whistleblower laws, Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, the Equal Pay Act, the Americans with Disabilities Act, the Family and Medical Leave Act, the Employment Retirement Income Security Act (excluding COBRA), the Vietnam Era Veterans Readjustment Assistance Act, the Fair Credit Reporting Act, the Age Discrimination in Employment Act (" ADEA"), the Older Workers' Benefit Protection Act, the Occupational Safety and Health Act, the Sarbanes-Oxley Act of 2002, the New Jersey Law Against Discrimination, the New Jersey Family Leave Act, the New Jersey Civil Rights Act, and the New Jersey Conscientious Employee Protection Act, as each may be amended from time to time, whether arising directly or indirectly from any act or omission, whether intentional or unintentional. This Section 2 releases all Claims including those of which Employee is not aware and those not mentioned in this Agreement. Employee specifically releases any and all Claims arising out of Employee's employment with ID Systems or separation therefrom. Employee expressly acknowledges and agrees that, by entering into this Agreement, Employee is releasing and waiving any and all Claims, including, without limitation, Claims that Employee may having arising under ADEA, which have arisen on or before the date of Employee's execution and delivery of this Agreement to ID Systems.

3 . Representations; Covenant Not to Sue. Employee hereby represents and warrants to the Released Parties that Employee has not: (A) filed, caused or permitted to be filed any pending proceeding (nor has Employee lodged a complaint with any governmental or quasi-governmental authority) against any of the Released Parties, nor has Employee agreed to do any of the foregoing; (B) assigned, transferred, sold, encumbered, pledged, hypothecated, mortgaged, distributed, or otherwise disposed of or conveyed to any third party any right or Claim against any of the Released Parties that has been released in this Agreement; or (C) directly or indirectly assisted any third party in filing, causing or assisting to be filed, any Claim against any of the Released Parties. Except as set forth in Section 11 below, Employee covenants and agrees that he shall not encourage or solicit or voluntarily assist or participate in any way in the filing, reporting or prosecution by herself or any third party of a proceeding or Claim against any of the Released Parties.

4 . Payment. As good consideration for Employee's execution, delivery, and non-revocation of this Agreement, ID Systems shall provide Employee with the payments and benefits set forth in Section 2 of the Severance Agreement between Employee and ID Systems dated as of June 29, 2009, payable as set forth therein. Employee acknowledges that Employee is not otherwise entitled to receive the payments and benefits described in this Section 4 and acknowledges that nothing in this Agreement shall be deemed to be an admission of liability on the part of any of the Released Parties. Employee agrees that Employee will not seek anything further from any of the Released Parties.

5. Who is Bound. ID Systems and Employee are bound by this Agreement. Anyone who succeeds to Employee's rights and responsibilities, such as the executors of Employee's estate, is bound, and anyone who succeeds to ID Systems's rights and responsibilities, such as its successors and assigns, is also bound.

6. Cooperation. Employee agrees that, within five business days of the Separation Date, he shall provide ID Systems (attention: _____) with a written comprehensive summary of all outstanding work activities, current and prospective customer contact information, and otherwise reasonably cooperate as necessary to effect a transition of his responsibilities. Employee also agrees that he will cease from communicating with any current ID Systems employees (with the exception of _____) regarding ID Systems personnel or other business-related matters. Employee agrees to reasonably cooperate in any ID Systems investigations and/or litigation regarding events that occurred during Employee's tenure with ID Systems. ID Systems will compensate Employee for reasonable expenses Employee incurs in extending such cooperation regarding investigations and/or litigation, so long as Employee provides advance written notice of Employee's request for compensation.

7. Non Disparagement and Confidentiality. Employee agrees not to make any defamatory or derogatory statements concerning any of the Released Parties. Provided inquiries are directed to ID Systems' Department of Human Resources, ID Systems shall disclose to prospective employers information limited to Employee's dates of employment and last position held by Employee. Employee confirms and agrees that Employee shall not, directly or indirectly, disclose to any person or entity or use for Employee's own benefit, any confidential information concerning the business, finances or operations of ID Systems or its customers; provided, however, that Employee's obligations under this Section 7 shall not apply to information generally known in ID Systems' industry through no fault of Employee or the disclosure of which is required by law after reasonable notice has been provided to ID Systems sufficient to enable ID Systems to contest the disclosure. Confidential information shall include, without limitation, trade secrets, customer lists, details of contracts, pricing policies, operational materials, marketing plans or strategies, security and safety plans and strategies, project development, and any other non-public or confidential information of, or relating to, ID Systems or its affiliates. Employee also agrees that the amounts paid to Employee and all of the other terms of this Agreement shall be kept confidential, unless ID Systems discloses them in a public filing. Employee acknowledges that he continues to be bound by the Confidentiality, Assignment of Contributions and Inventions, Non-Competition and Non-Solicitation Agreement (the "Covenants Agreement").

8. Remedies. If Employee tells anyone the amount paid to Employee or any other term of this Agreement (unless ID Systems has publicly disclosed the terms of this Agreement in a public filing), breaches any other term or condition of this Agreement or the Covenants Agreement, or any representation made by Employee in this Agreement was false when made, it shall constitute a material breach of this Agreement and, in addition to and not instead of the Released Parties' other remedies hereunder, under the Covenants Agreement or otherwise at law or in equity, Employee shall be required to immediately, upon written notice from ID Systems, return the payments paid by ID Systems hereunder, less $500. Employee agrees that if Employee is required to return the payments, this Agreement shall continue to be binding on Employee and the Released Parties shall be entitled to enforce the provisions of this Agreement as if the payments had not been repaid to ID Systems and ID Systems shall have no further payment obligations to Employee hereunder. Further, in the event of a material breach of this Agreement, Employee agrees to pay all of the Released Parties' attorneys' fees and other costs associated with enforcing this Agreement.

9. ID Systems Property. Employee represents that he has returned all ID Systems property in Employee's possession, custody or control, including, but not limited to, all ID Systems equipment, samples, laptop computers, personal digital assistants, cell phones, pass codes, keys, swipe cards, documents or other materials that Employee received, prepared, or helped prepare. Employee represents that Employee has not retained any copies, duplicates, reproductions, computer disks, or excerpts thereof of ID Systems' documents.

10. Construction of Agreement. In the event that one or more of the provisions contained in this Agreement shall for any reason be held unenforceable in any respect under the law of any state of the United States or the United States, such unenforceability shall not affect any other provision of this Agreement, but this Agreement shall then be construed as if such unenforceable provision or provisions had never been contained herein or therein. If it is ever held that any restriction hereunder is too broad to permit enforcement of such restriction to its fullest extent, such restriction shall be enforced to the maximum extent permitted by applicable law. This Agreement and any and all matters arising directly or indirectly herefrom or therefrom shall be governed under the laws of the State of New Jersey, without reference to choice of law rules. ID Systems and Employee consent to the sole jurisdiction of the federal and state courts of New Jersey. **ID SYSTEMS AND EMPLOYEE HEREBY WAIVE THEIR RESPECTIVE RIGHT TO TRIAL BY JURY IN ANY ACTION CONCERNING THIS AGREEMENT OR ANY AND ALL MATTERS ARISING DIRECTLY OR INDIRECTLY HEREFROM AND REPRESENT THAT THEY HAVE CONSULTED WITH COUNSEL OF THEIR CHOICE OR HAVE CHOSEN VOLUNTARILY NOT TO DO SO SPECIFICALLY WITH RESPECT TO THIS WAIVER.**

11. Acknowledgments. ID Systems and Employee acknowledge and agree that:

(A) By entering into this Agreement, Employee does not waive any rights or Claims that may arise after the date that Employee executes and delivers this Agreement to ID Systems;

(B) This Agreement shall not affect the rights and responsibilities of the Equal Employment Opportunity Commission (the "EEOC") to enforce the ADEA and other laws, and further acknowledge and agree that this Agreement shall not be used to justify interfering with Employee's protected right to file a charge or participate in an investigation or proceeding conducted by the EEOC. Accordingly, nothing in this Agreement shall preclude Employee from filing a charge with, or participating in any manner in an investigation, hearing or proceeding conducted by, the EEOC, but Employee hereby waives any and all rights to recover under, or by virtue of, any such investigation, hearing or proceeding;

(C) Notwithstanding anything set forth in this Agreement to the contrary, nothing in this Agreement shall affect or be used to interfere with Employee's protected right to test in any court, under the Older Workers' Benefit Protection Act, or like statute or regulation, the validity of the waiver of rights under ADEA set forth in this Agreement; and

(D) Nothing in this Agreement shall preclude Employee from: exercising Employee's rights, if any (i) under Section 601-608 of the Employee Retirement Income Security Act of 1974, as amended, popularly known as COBRA, or (ii) ID Systems's pension plan or 401(k) plan, if applicable.

12. Opportunity For Review.

(A) Employee represents and warrants that Employee: (i) has had sufficient opportunity to consider this Agreement; (ii) has read this Agreement; (iii) understands all the terms and conditions hereof; (iv) is not incompetent or had a guardian, conservator or trustee appointed for Employee; (v) has entered into this Agreement of Employee's own free will and volition; (vi) has duly executed and delivered this Agreement; (vii) understands that Employee is responsible for Employee's own attorney's fees and costs; (viii) has had the opportunity to review this Agreement with counsel of Employee's choice or has chosen voluntarily not to do so; (ix) understands the Employee has been given twenty-one (21) days to review this Agreement before signing this Agreement and understands that he is free to use as much or as little of the 21-day period as he wishes or considers necessary before deciding to sign this Agreement; (x) understands that if Employee does not sign and return this Agreement to ID Systems within 21 days of his receipt, ID Systems shall have no obligation to enter into this Agreement, Employee shall not be entitled to the payments and benefits set forth in Section 4 of this Agreement, and the Separation Date shall be unaltered; and (xi) this Agreement is valid, binding and enforceable against the parties to this Agreement in accordance with its terms.

(B) This Agreement shall be effective and enforceable on the eighth (8^{th}) day after execution and delivery to ID Systems by Employee. The parties to this Agreement understand and agree that Employee may revoke this Agreement after having executed and delivered it to ID Systems by so advising ID Systems in writing no later than 11:59 p.m. on the seventh (7^{th}) day after Employee's execution and delivery of this Agreement to ID Systems. If Employee revokes this Agreement, it shall not be effective or enforceable, Employee shall not be entitled to the payments and benefits set forth in Section 4 of this Agreement, and the Separation Date shall be unaltered.

Agreed to and accepted on this ____ day of _____, 20__.

Witness:

_____

EMPLOYEE:

_____
Name:

Agreed to and accepted on this ____ day of _____, 20__.

ID SYSTEMS, INC.

_____
Name:
Title:

EXHIBIT B
FORM OF COVENANTS AGREEMENT

I.D. SYSTEMS, INC.

Confidentiality, Assignment of Contributions and Inventions, Non-Competition, and Non-Solicitation Agreement

Background. I am a paid employee of I.D. Systems, Inc., a Delaware corporation (the "Company"). I am executing this Agreement in consideration of my continued employment with the Company and the severance agreement effective as of June 29, 2009, the restricted stock award granted pursuant to the restricted stock award agreement dated as of June 29, 2009, the restricted stock unit award granted pursuant to the restricted stock unit award agreement dated as of June 29, 2009 and the stock option grant pursuant to the stock option grant agreement with a grant date of June 29, 2009.

1. **Confidentiality**. While working for the Company, I may have previously developed or acquired, or may in the future develop or acquire, knowledge in my work or from my colleagues or otherwise of Confidential Information relating to the Company, its business, potential business or that of its customers or its or their respective affiliates. "Confidential Information" includes information concerning the identity of customers or their requirements or key contacts within the customer's organization, suppliers, distributors, software programs, demonstration programs, routines, algorithms, computer systems, plans, strategies, research, formulations, processes, production methods and sources, products and specifications, equipment manufacturing and other techniques, designs, know-how, show how, trade secrets, inventions, improvements, discoveries, concepts, methodology, formulas, drawings, maps, manuals, models, specifications, records, files, memoranda, notes, reports, files, correspondence, financial and sales data, pricing lists or terms, trading terms, training materials and methods, marketing, distribution, and merchandising techniques and strategies, evaluations, opinions and interpretations, together with all other writings or materials of any type embodying any of the foregoing and any and all other technical, operating, financial, and business information or materials relating to the Company, its customers or its or their respective affiliates, whether or not reduced to writing or other medium and whether or not marked or labeled confidential, proprietary, or the like, regardless of whether created by me, others or both. Confidential Information does not include information that is or becomes public domain without fault on my part. I will have the burden of proof with respect to the exclusion of any information from the definition of "Confidential Information."

With respect to Confidential Information of the Company, its customers and its or their respective affiliates, I agree that:

(a) The Confidential Information is and will continue to be the sole and exclusive property of the Company;

(b) Except as required under applicable law or pursuant to any judicial process or administrative proceeding with subpoena powers, I will use the Confidential Information only in the performance of my duties for the Company. I will not use the Confidential Information at any time (during or after my employment with the Company or any of its affiliates) for my personal benefit, for the benefit of any other Person or in any manner adverse to the interests of the Company, its customers or its or their respective affiliates;

(c) Except as required under applicable law or pursuant to any judicial process or administrative proceeding with subpoena powers, I will not disclose the Confidential Information at any time (during or after my employment with the Company or any of its affiliates) except to authorized Company personnel, unless the Company consents in advance in writing or unless the Confidential Information indisputably becomes of public knowledge or enters the public domain (without fault on my part);

(d) I will safeguard the Confidential Information by all reasonable steps and abide by all policies and procedures of the Company and its customers in effect from time to time regarding storage, copying, destroying, publication or posting, or handling of such Confidential Information, in whatever medium or format that Confidential Information takes;

(e) Except as required under applicable law or pursuant to any judicial process or administrative proceeding with subpoena powers, I will execute and abide by all confidentiality agreements that the Company reasonably requests me to sign or abide by, whether those agreements are for the benefit of the Company, an affiliate or an actual or a potential customer or supplier thereof;

(f) I will return all materials containing or relating to Confidential Information, together with all other Company or customer property, to the Company when my employment with the Company or any of its affiliates terminates (either voluntary or involuntary) or upon the Company's earlier request. I shall not retain any copies or reproductions of correspondence, memoranda, reports, notebooks, drawings, photographs, or other documents relating in any way to the business or affairs of the Company, its customers or its or their respective affiliates; and

(g) Upon any termination of my employment with the Company, I will acknowledge to the Company, in writing and under oath, in the form attached hereto as Exhibit A that I have complied with this Agreement.

As used herein, the term "Person" means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization or a governmental entity or department, agency or subdivision of the government entity.

For purposes of clauses (b), (c) and (e), in the event of any required disclosure, I will promptly notify the Company and reasonably cooperate and assist the Company in resisting such disclosure in the event it chooses to do so.

2. **Contributions and Inventions.** While employed by the Company, I may make Contributions and Inventions deemed by the Company to have value to it. The terms "Contributions" and "Inventions" are understood to include all information, ideas, concepts, technology, improvements, discoveries, formulae, inventions, creations, discoveries, techniques, designs, methods, trade secrets, technical specifications and data, works, modifications, processes, know-how, show-how, concepts, expressions, improvements, works of authorship (including computer programs), ideas and other developments, whether or not they are patentable or copyrightable or subject to analogous protection and regardless of their form or state of development and whether or not I have made them alone or with others, together with any and all rights to U.S. or foreign applications for patents, inventor's certifications or other industrial rights that may be filed thereon, including divisions, continuations-in-part, reissues and/or extensions thereof.

This Agreement covers Contributions and Inventions of any kind that are conceived or made by me, alone or with others, while I am employed by the Company, regardless of whether they are conceived or made during regular working hours or at my place of work (whether located at the Company, customer facilities, at home or elsewhere) and that (i) relate to the Company's business or potential business or that of its affiliates, (ii) result from tasks assigned to me by the Company, or (iii) are conceived or made with the use of the Company's time, facilities, resources, or materials. With respect to Contributions or Inventions covered by this Agreement, I agree that:

(a) I will disclose them promptly to the Company. I will not disclose them to anyone other than authorized Company personnel;

(b) They will belong solely to the Company from conception as "works made for hire" (as that term is used under U.S. copyright law) or otherwise. To the extent that title to any such Contributions and Inventions do not, by operation of law, vest in the Company, I hereby irrevocably assign to the Company all right, title and interest, including, without limitation, tangible and intangible rights such as patent rights, trademarks, and copyrights, that I may have or may acquire in and to all such Contributions and Inventions, benefits and/or rights resulting therefrom, and agree to promptly execute any further specific assignments related to such Contributions or Inventions, benefits and/or rights at the request of the Company. If the Company wants more specific or formal evidence of this, I will sign written documents of assignment at the Company's request. I also hereby assign to the Company, or waive if not assignable, all "moral rights" in and to any Contributions and Inventions and agree promptly to execute any further specific assignments or waivers related to moral rights at the request of the Company; and

(c) I will, at any time, either during the time I am employed by the Company or thereafter, assist the Company in obtaining and maintaining patent, copyright, trademark, mask works and other protection for them, in all countries and territories, at the Company's expense. In the event that the Company is unable to secure my signature after reasonable effort in connection with any patent, trademark, copyright, mask work or other similar protection relating to a Contribution or an Invention, I hereby irrevocably designate and appoint the Company and its duly authorized officers and agents as my agent and attorney-in-fact, to act for and on my behalf and stead to execute and file any such application and to do all other lawfully permitted acts to further the prosecution and issuance of patents, trademarks, copyrights, mask works or other similar protection thereon with the same legal force and effect as if executed by me.

(d) Any Contributions or Inventions relating to the business of the Company and disclosed to the Company within 6 months following the termination of my employment shall be deemed to fall within the provisions of this Section 2. The "business of the Company' as used in this Section 2 includes the actual business conducted by the Company or any of its affiliates at any time during my employment with the Company, as well as any business in which the Company or any of its affiliates, at any time during my employment with the Company, proposes or proposes to engage.

3 . **Obligations to Prior Employers or Others**. I do not have any non-disclosure, non-compete, non-solicitation or other obligations to any previous employer or other Person that would prohibit, limit, conflict or interfere with my obligations under this Agreement or the performance of my duties for the Company. I will not disclose to the Company or its customers or induce the Company or its customers to use any secret or confidential information or material belonging to others, including my former employers, if any.

4. **Excluded Information**. A complete list, by non-confidential descriptive title of all Contributions, Inventions, ideas, reports or other creative works, if any, made or conceived by me prior to my employment by the Company and intended to be excluded from this Agreement, is attached as Exhibit B. I shall not assert any rights under any Contributions, Inventions, ideas, reports or other creative works as having been made or acquired by me prior to my being employed by the Company, unless such Contributions, Inventions, ideas, reports or other creative works are identified on Exhibit B. If, after the date of this Agreement, I believe that any Contribution or Invention is excluded from this Agreement, I agree to obtain written authorization from the Company, prior to applying for any patent on the Contribution or Invention, and prior to taking any steps to commercially exploit the Contribution or Invention.

5. **Covenant Against Competition and Solicitation**.

(a) I acknowledge and understand that, in view of my position as an employee of the Company, I may have previously been afforded, or in the future may be afforded, access to the Company's Confidential Information and that of its affiliates. I therefore agree that during the course of my employment with the Company or any of its affiliates and for a period of 12 months after termination of my employment with the Company and all of its affiliates (for any reason or no reason) (the "Restricted Period"), I will not, anywhere within the United States of America or any other country or territory in which the Company or its affiliates conducts business, either directly or indirectly, whether alone or as an employee, employer, consultant, independent contractor, agent, principal, partner, joint venturer, stockholder, member, officer, director or otherwise of any company or other business enterprise, or in any other individual or representative capacity, engage in, assist in, participate in, or otherwise be connected to or benefit from any Competitive Business. As used in this Agreement, "Competitive Business" shall mean any individual, entity, or business enterprise that is engaged in or is seeking to engage in: (i) the development, design, manufacture, marketing, sale and/or distribution of tracking and monitoring products; or (ii) the development, design, manufacture, marketing, sale and/or distribution of any products that are directly competitive with products that (a) represent at least 10% of the Company's consolidated product revenues, (b) were first sold or distributed by the Company or any of its affiliates during the preceding 12-month period, or (c) are being developed, produced, marketed and/or distributed by the Company or any of its affiliates and are scheduled to be first sold or distributed by the Company within a 12-month period; provided, however, that for purposes of this definition, a business shall be a "Competitive Business," as it applies during the 12 month period after termination of my employment only if the Company is engaged or is actively seeking to engage in that business on the date of my termination of employment with the Company or was engaged or actively seeking to engage in that business at any time during the preceding 12 months.

(b) During the Restricted Period, I will not, without the express prior written consent of the Company, directly or indirectly: (i) solicit, induce, or assist any third person in soliciting or inducing any Person that is (or was at any time within the 12 months prior to the solicitation or inducement) an employee, consultant, independent contractor or agent of the Company or any of its affiliates to leave the employment of the Company or any of its affiliates or cease performing services as an independent contractor, consultant or agent of the Company or any of its affiliates; (ii) hire, engage, or assist any third party in hiring or engaging, any individual that is or was (at any time within the 12 months prior to the attempted hiring) an employee of the Company or any of its affiliates; or (iii) contact, communicate, solicit, or transact any business with or assist any third party in contacting, communicating, soliciting, or transacting any business with any Person that is or was (at any time within 12 months prior to the contact, communication, solicitation, or transaction) a customer, distributor or supplier of the Company or its affiliates (or Person who, at any time during the 12 months prior to the contact, communication, solicitation, or transaction, the Company or its affiliates contacted, communicated with or solicited for the purposes of becoming a customer, distributor, or supplier of the Company or its affiliates and I was in any way involved or otherwise had knowledge of or reasonably should have had knowledge of such contact, communication, or solicitation) for the purposes of inducing such customer, distributor, or supplier or potential customer, distributor, or supplier to be connected to or benefit from any business competitive with that of the Company or its affiliates or terminate its or their business relationship with the Company or its affiliates.

6. **Non-Disparagement**. I will not at any time (during or after my employment with the Company) disparage the reputation of the Company, its affiliates, or any of its or their respective officers and directors.

7. **Interpretation and Scope of this Agreement**.

(a) In the event that any court of competent jurisdiction shall determine that any one or more of the provisions contained in this Agreement shall be unenforceable in any respect, then such provision shall be deemed limited and restricted to the extent that the court shall deem the provision to be enforceable. It is the intention of the parties to this Agreement that the covenants and restrictions in this Agreement be given the broadest interpretation permitted by law. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision hereof. The covenants and restrictions contained in this Agreement shall be deemed a series of separate covenants and restrictions. If, in any judicial proceeding, a court of competent jurisdiction should refuse to enforce all of the separate covenants and restrictions in this Agreement, then such unenforceable covenants and restrictions shall be deemed eliminated from the provisions of this Agreement for the purpose of such proceeding to the extent necessary to permit the remaining separate covenants and restrictions to be enforced in such proceeding.

(b) I acknowledge that the restrictions on the activities in which I may engage that are set forth in this Agreement and the location and period of time for which such restrictions apply are reasonable and necessary to protect the legitimate business interests of the Company and shall survive the termination of my employment. I understand that the Company's business is global and, accordingly, the restrictions cannot be limited to any particular geographic area. I further acknowledge that the restrictions contained in this Agreement will not prevent me from earning a livelihood during the applicable period of restriction.

(c) I understand and agree that if I breach or threaten to breach any of the provisions of this Agreement, including, without limitation, the provisions of Sections 1, 2, 5 or 6 hereof, the Company would suffer irreparable harm and damages would be an inadequate remedy. Accordingly, I acknowledge that, in the event of any breach or threatened breach by me of any of the provisions of this Agreement, the Company shall be entitled to temporary, preliminary and permanent injunctive or other equitable relief in any court of competent jurisdiction (without being required to post a bond or other collateral) and to an equitable accounting of all earnings, profits and other benefits arising, directly or indirectly, from such violation, which rights shall be cumulative and in addition to (rather than instead of) any other rights or remedies to which the Company may be entitled at law or in equity. In addition (and not instead of those rights), I further covenant that I shall be responsible for payment of the reasonable fees and expenses of the Company's attorneys and experts, as well as the Company's court costs, pertaining to any suit, arbitration, mediation, action or other proceeding (including the costs of any investigation related thereto) in which the Company prevails, arising directly or indirectly out of my violation or threatened violation of any of the provisions of this Agreement. If the Company does not prevail in any suit, arbitration, mediation, action or other proceeding arising directly or indirectly out of my purported violation of any of the provisions of this Agreement, the Company shall be responsible for payment of the reasonable fees and expenses of attorneys and experts that I incur, as well as my court costs, pertaining to any such suit, arbitration, mediation, action or other proceeding (including the costs of any investigation related thereto).

(d) This Agreement shall be binding upon me, my heirs, assigns and personal representatives and shall inure to the benefit of the Company, its affiliates and their respective successors and assigns (including, without limitation, the purchaser of all or substantially all of its assets).

(e) This Agreement shall constitute the entire agreement between Company and myself with respect to the matters covered hereby and shall supersede all previous written, oral or implied understandings between us with respect to such matters.

(f) I acknowledge that my employment with the Company is "at-will." I understand that nothing contained in this Agreement shall give me a right to continue in the employ of the Company, and the right to terminate my employment with the Company, at any time, with or without cause, is specifically reserved to the Company. I also understand that I may resign from employment with the Company at any time in my discretion.

(g) Any and all actions or controversies arising out of this Agreement, Employee's employment by the Company or termination therefrom, including, without limitation, tort claims, shall be construed and enforced in accordance with the internal laws of the State of New Jersey, without regard to the choice of law principles thereof.

I represent and warrant that: (a) I have read this Agreement; (b) I understand all the terms and conditions hereof; (c) I have entered into this Agreement of my own free will and volition; (d) I have been advised by the Company to seek and have, to the extent I have deemed necessary, received the advice of counsel of any own selection; and (e) the terms of this Agreement are fair, reasonable and are being agreed to voluntarily in exchange for my continued employment with the Company and the severance agreement effective as of June 29, 2009, the restricted stock award granted pursuant to the restricted stock award agreement dated as of June 29, 2009, the restricted stock unit award granted pursuant to the restricted stock unit award agreement dated as of June 29, 2009 and the stock option grant pursuant to the stock option grant agreement with a grant date of June 29, 2009.

Date: 9/22/09

/s/ Ken Ehrman
Name: Ken Ehrman

Accepted:

I.D. SYSTEMS, INC.

By: /s/ Ned Mavrommatis

EXHIBIT A

STATE OF NEW JERSEY
COUNTY OF _____

The undersigned, being duly sworn, does hereby certify that he/she has complied with, and will continue to comply with, for the applicable period set forth therein, all of the terms of the Confidentiality, Assignment of Contributions and Inventions, Non Competition and Non-Solicitation Agreement dated _____ __, 200_ by the Undersigned in favor of I.D. Systems, Inc. (the "Company"). I have returned all Company property and all materials relating to or containing Confidential Information to the Company and I have not retained any copies or reproductions of any correspondence, memoranda, reports, notebooks, drawings, photographs or other documents or materials relating to the affairs of the Company, its customers and its or their affiliates.

_____
Name:

Sworn and Subscribed to
before me this ____ day of
_____, _____

_____

EXHIBIT B

Excluded Information
(See Section 4. If None, type "NONE")

NONE

Exhibit 10.4

SEVERANCE AGREEMENT

This SEVERANCE AGREEMENT (the "Agreement") is made this 11th day of September, 2009, by and between I.D. Systems, Inc., a Delaware corporation (the "Company") and Michael Ehrman ("Executive").

BACKGROUND:

WHEREAS, Executive is currently employed as EVP of Engineering of the Company; and

WHEREAS, the Board of Directors of the Company (the "Board") has determined it is in the best interests of the Company to enter into this Agreement to, among other things, help retain and motivate Executive in his position with the Company.

NOW, THEREFORE, in consideration of the foregoing premises and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

1. Certain Definitions: As used in the Agreement, the following terms shall have the respective meanings set forth below:

(a) "Affiliate" of the Company means any Person that controls, is controlled by, or is under common control with, the Company. A Person shall be deemed to be in control of another Person if, and for so long as, it owns or controls more than 50% of the voting power in the election of directors (or, in the case of an entity that is not a corporation, for the election of the corresponding managing authority) of such other Person.

(b) "Cause" means Executive's (i) conviction of, or plea of nolo contendere to, a felony or crime involving moral turpitude; (ii) fraud on or misappropriation of any funds or property of the Company; (iii) willful violation of any law, rule or regulation (other than minor traffic violations or similar offenses or solely as a result of vicarious liability) or breach of fiduciary duty which results in personal profit to Executive. Executive shall be given notice of the termination of Executive's employment for Cause and shall have an opportunity to be heard by the Board with respect thereto and, to the extent that the Board deems the matter curable, shall have a reasonable period of time to cure the matter to the Board's reasonable satisfaction.

(c) "Change in Control Event" means the occurrence of any of the following events with respect to the Company:

(i) the consummation of any consolidation or merger of the Company in which the holders of the Company's common stock, par value $0.01 per share ("Common Stock") immediately prior to such consolidation or merger own less than fifty percent (50%) of the outstanding common stock of the surviving corporation immediately after the merger; or

(ii) the consummation of any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all, or substantially all, of the assets of the Company, other than to a subsidiary or Affiliate; or

(iii) any action pursuant to which any person or group (as such terms are defined in Section 13(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), shall become the "beneficial owner" (as such term is defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of shares of capital stock entitled to vote generally for the election of directors of the Company ("Voting Securities") representing more than thirty (30%) percent of the combined voting power of the Company's then outstanding Voting Securities (calculated as provided in Rule 13d-3(d) in the case of rights to acquire any such securities); or

(iv) the individuals (x) who, as of the effective date of this Agreement, constitute the Board (the "Original Directors") and (y) who thereafter are elected to the Board and whose election, or nomination for election, to the Board was approved by a vote of a majority of the Original Directors then still in office (such Directors being called "Additional Original Directors") and (z) who thereafter are elected to the Board and whose election or nomination for election to the Board was approved by a vote of a majority of the Original Directors and Additional Original Directors then still in office, cease for any reason to constitute a majority of the members of the Board.

(d) "Disability" means that Executive is incapable of performing his principal duties due to physical or mental incapacity or impairment for 120 consecutive days, or for 180 non-consecutive days, during any 12 month period.

(e) "Good Reason" means (i) a material reduction in Executive's base salary as in effect from time to time; (ii) a material reduction in Executive's authority, duties or responsibilities; (iii) Executive's principal office location being moved to a location which is more than 25 miles from the principal office location at which Executive performs services on the date this Agreement is executed or (iv) a material breach by the Company of the agreement under which Executive provides services to the Company; provided, however, that Executive must notify the Company, within 90 days of the occurrence of any of the foregoing conditions, that he considers it to be a "Good Reason" condition, and provide the Company with at least 30 days in which to cure the condition. In addition, the resignation may not occur later than 6 months after the occurrence of the condition giving rise to the resignation. If Executive fails to provide such notice and cure period prior to his resignation, or his resignation occurs later than 6 months after the initial occurrence of the condition, his resignation shall not be deemed to be for "Good Reason" and Executive shall be deemed to have waived any right to receive any of the payments or benefits set forth in Section 2 hereof.

(f) "Person" means an individual, a partnership, a limited liability company, a corporation, an association, a joint stock corporation, a trust, a joint venture, an unincorporated organization, or any court, administrative agency or commission or other federal, state, county, local or foreign governmental authority, instrumentality, agency or commission.

(g) "Release" means a general release agreement in the form annexed hereto as Exhibit A and made a part hereof.

(h) "Trigger Event" means the occurrence of either: (i) the termination of Executive's employment by the Company other than a termination for Cause; or (ii) Executive's resignation for Good Reason within 6 months following a Change in Control Event. For purposes of clarity, a termination of Executive's employment due to his death or Disability shall not be considered a termination of Executive's employment by the Company other than for Cause, and shall not constitute a Trigger Event.

2. Trigger Event Payments and Benefits.

Within 45 days after the occurrence of a Trigger Event (or such shorter period as may be required by the Release), Executive shall execute and deliver to the Company the Release. Upon the sooner 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 (such sooner date the "Release Effective Date"), Executive shall be entitled to:

(a) cash payments (collectively the "Severance Payment") at the rate of Executive's annual base salary as in effect immediately prior to the Trigger Event for a period of 12 months (the "Severance Period"), payable as set forth below. The Severance Payment shall be made as a series of separate payments in accordance with the Company's standard payroll practices (and subject to all applicable tax withholdings and deductions), commencing with the first regular payroll date on or immediately following the 60th day after the date of the Trigger Event.

(b) if Executive timely elects "COBRA" coverage and provided Executive continues to make contributions for such continuation coverage equal to Executive's contribution amount in effect immediately preceding the date of Executive's termination of employment, the Company shall waive the remaining portion of Executive's healthcare continuation payments under COBRA for the Severance Period. Notwithstanding the foregoing, in the event that Executive becomes eligible to obtain alternate healthcare coverage from a new employer before the end of the Severance Period, the Company's obligation to waive the remaining portion of Executive's healthcare continuation coverage under COBRA shall cease. Executive understands and affirms that Executive is obligated to inform the Company if Executive becomes eligible to obtain alternate healthcare coverage from a new employer before the end of the Severance Period.

(c) Executive's previously granted Company stock options and restricted stock ("Retention Shares") shall (to the extent not already then "vested"), partially "vest" and a portion of the stock options shall be exercisable, in each case on a pro-rated basis, taking into account the number of months elapsed since the date of grant as compared to the scheduled vesting date. For example, if the total number of months from the grant date until the vesting date is 36 months, and the Trigger Event occurs at the end of the 12th month after the grant date, then effective on the Release Effective Date, the total number of vested options and vested Retention Shares should be equal to 1/3 (*i.e.,* 12/36*)* of the total number of each granted. Notwithstanding anything to the contrary contained herein, the terms of the I.D. Systems, Inc. 2007 Equity Compensation Plan (the "Plan") shall govern acceleration of vesting of stock options and restricted stock in the event of a "Change of Control" as defined in the Plan.

(d) The "Performance Shares" subject to the Restricted Stock Unit Award Agreement between Executive and the Company dated as of June 29, 2009 shall be awarded 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. For example, if a Trigger Event occurs on May 1, 2010, and the Administrator (as defined in the Plan) has determined that the Stock Price Target of a stock price of $7.50 has been met with respect to the fiscal year ended December 31, 2009, then the number of Performance Shares that shall be awarded upon the Trigger Event (effective on the Release Effective Date) shall be the number equal to 1/3 of the number of Performance Shares listed in the table (contained in the Restricted Stock Unit Award Agreement) corresponding to a stock price of $7.50.

3. Covenants Agreement. As a condition to the Company's obligations hereunder, Executive shall execute and deliver to the Company an agreement in the form of Exhibit B annexed hereto and made a part hereof relating to confidentiality, assignment of inventions, non-competition and non-solicitation. The non-competition and non-solicitation covenants shall apply for a period equal to the Severance Period.

4. At Will Employment. Nothing in this Agreement shall alter Executive's status as an "at-will" employee.

5. Headings. Headings used in this Agreement are for convenience of reference only and do not affect the meaning of any provision.

6. Counterparts. This Agreement may be executed as of the same effective date in one or more counterparts, each of which shall be deemed an original.

7. Binding Agreement; Assignment. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns.

8. Governing Law; Jurisdiction. This Agreement and any and all matters arising directly or indirectly herefrom shall be governed by, and construed in accordance with, the internal laws of the State of New Jersey, without reference to the choice of law principles thereof. Any legal action, suit or other proceeding arising out of or in any way connected with this Agreement shall be brought in the courts of the State of New Jersey, or in the United States courts for the District of New Jersey. With respect to any such proceeding in any such court: (i) each party generally and unconditionally submits itself and its property to the exclusive jurisdiction of such court (and corresponding appellate courts therefrom), and (ii) each party waives, to the fullest extent permitted by law, any objection it has or hereafter may have the venue of such proceeding as well as any claim that it has or may have that such proceeding is in an inconvenient forum.

9. Amendments. This Agreement may only be amended or otherwise modified, and the provisions hereof may only be waived, by a writing executed by the parties hereto.

10. Entire Agreement. This Agreement shall constitute the entire agreement of the parties with respect to the matters covered hereby and shall supersede all previous written, oral or implied understandings between them with respect to such matters.

11. Opportunity to Consult Counsel. Executive hereby acknowledges that he has read and fully understands this Agreement, that he has been advised that Lowenstein Sandler PC is counsel to the Company and not to Executive, and that Executive has been advised to, and has had the opportunity to, consult with counsel and Executive's personal financial or tax advisor with respect to this Agreement.

12. No Effect on Other Benefits. Notwithstanding anything contained herein to the contrary, nothing contained herein shall adversely affect the rights of Executive and his dependents and beneficiaries to any and all benefits to which any of them may be entitled under the benefit plans and arrangements of the Company in accordance with the terms of such benefit plans and arrangements.

13. Section 409A.

(a) This Agreement is intended to comply with the requirements of Section 409A of the Code and regulations promulgated thereunder ("Section 409A"). To the extent that any provision in this Agreement is ambiguous as to its compliance with Section 409A, the provision shall be read in such a manner so that no payments due under this Agreement shall be subject to an "additional tax" as defined in Section 409A(a)(1)(B) of the Code. For purposes of Section 409A, each payment made under this Agreement shall be treated as a separate payment. In no event may Executive, directly or indirectly, designate the calendar year of payment.

(b) Notwithstanding anything to the contrary contained herein, if necessary to comply with the restriction in Section 409A(a)(2)(B) of the Code concerning payments to "specified employees," any payment on account of Executive's separation from service that would otherwise be due hereunder within six months after such separation shall nonetheless be delayed until the first business day of the seventh month following Executive's date of termination and the first such payment shall include the cumulative amount of any payments that would have been paid prior to such date if not for such restriction, together with interest on such cumulative amount during the period of such restriction at a rate, per annum, equal to the applicable federal short-term rate (compounded monthly) in effect under Section 1274(d) of the Code on the date of termination. For purposes of Section 2 hereof, Executive shall be a "specified employee" for the 12-month period beginning on the first day of the fourth month following each "Identification Date" if he is a "key employee" (as defined in Section 416(i) of the Code without regard to Section 416(i)(5) thereof) of the Company at any time during the 12-month period ending on the "Identification Date." For purposes of the foregoing, the Identification Date shall be December 31. Notwithstanding anything contained herein to the contrary, Executive shall not be considered to have terminated employment with the Company for purposes of Section 2 hereof unless he would be considered to have incurred a "termination of employment" from the Company within the meaning of Treasury Regulation §1.409A-1(h)(1)(ii).

(c) Executive acknowledges that any tax liability incurred by Executive under Section 409A of the Code is solely the responsibility of Executive.

14. No Mitigation. Executive shall be under no obligation to seek other employment after Executive's termination of employment with the Company, and the obligations of the Company to Executive which arise pursuant to Section 2 of this Agreement shall not be subject to mitigation or offset.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

I.D. SYSTEMS, INC.

By: /s/ Ned Mavrommatis
Name: Ned Mavrommatis
Title: CFO
Date: 9/22/09

WITNESS:

/s/ Ken Ehrman
Name: Ken Ehrman
Date: 9/22/09

EXECUTIVE:

/s/ Michael Ehrman
Name: Michael Ehrman
Date: 9/22/09

EXHIBIT A
FORM OF RELEASE

SEPARATION AND GENERAL RELEASE AGREEMENT

This Separation and General Release Agreement (the "Agreement") is entered into between _____ with an address at _____ (the "Employee") and I.D. Systems, Inc. ("ID Systems"), together with its parent, divisions, affiliates, and subsidiaries and their respective officers, directors, employees, shareholders, members, partners, plan administrators, attorneys, and agents, as well as any predecessors, future successors or assigns or estates of any of the foregoing with an address at One University Plaza, 6th Floor, Hackensack, New Jersey 07601 (the "Released Parties").

1 . Separation of Employment. Employee acknowledges and understands that Employee's last day of employment with ID Systems was _____ (the "Separation Date"). Employee acknowledges and agrees that, except as otherwise provided in this Agreement, Employee has received all compensation and benefits to which Employee is entitled as a result of Employee's employment. Employee understands that, except as otherwise provided in this Agreement, Employee is entitled to nothing further from any of the Released Parties, including reinstatement by ID Systems.

2 . Employee General Release of Released Parties. In consideration of the payments and benefits set forth in Section 4 below, Employee hereby unconditionally and irrevocably releases, waives, discharges, and gives up, to the full extent permitted by law, any and all Claims (as defined below) that Employee may have against any of the Released Parties, arising on or prior to the date of Employee's execution and delivery of this Agreement to ID Systems. "Claims" means any and all actions, charges, controversies, demands, causes of action, suits, rights, and/or claims whatsoever for debts, sums of money, wages, salary, severance pay, commissions, bonuses, unvested stock options, vacation pay, sick pay, fees and costs, attorneys fees, losses, penalties, damages, including damages for pain and suffering and emotional harm, arising, directly or indirectly, out of any promise, agreement, offer letter, contract, understanding, common law, tort, the laws, statutes, and/or regulations of the State of New Jersey or any other state and the United States, including, but not limited to, federal and state whistleblower laws, Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, the Equal Pay Act, the Americans with Disabilities Act, the Family and Medical Leave Act, the Employment Retirement Income Security Act (excluding COBRA), the Vietnam Era Veterans Readjustment Assistance Act, the Fair Credit Reporting Act, the Age Discrimination in Employment Act (" ADEA"), the Older Workers' Benefit Protection Act, the Occupational Safety and Health Act, the Sarbanes-Oxley Act of 2002, the New Jersey Law Against Discrimination, the New Jersey Family Leave Act, the New Jersey Civil Rights Act, and the New Jersey Conscientious Employee Protection Act, as each may be amended from time to time, whether arising directly or indirectly from any act or omission, whether intentional or unintentional. This Section 2 releases all Claims including those of which Employee is not aware and those not mentioned in this Agreement. Employee specifically releases any and all Claims arising out of Employee's employment with ID Systems or separation therefrom. Employee expressly acknowledges and agrees that, by entering into this Agreement, Employee is releasing and waiving any and all Claims, including, without limitation, Claims that Employee may having arising under ADEA, which have arisen on or before the date of Employee's execution and delivery of this Agreement to ID Systems.

3 . Representations; Covenant Not to Sue. Employee hereby represents and warrants to the Released Parties that Employee has not: (A) filed, caused or permitted to be filed any pending proceeding (nor has Employee lodged a complaint with any governmental or quasi-governmental authority) against any of the Released Parties, nor has Employee agreed to do any of the foregoing; (B) assigned, transferred, sold, encumbered, pledged, hypothecated, mortgaged, distributed, or otherwise disposed of or conveyed to any third party any right or Claim against any of the Released Parties that has been released in this Agreement; or (C) directly or indirectly assisted any third party in filing, causing or assisting to be filed, any Claim against any of the Released Parties. Except as set forth in Section 11 below, Employee covenants and agrees that he shall not encourage or solicit or voluntarily assist or participate in any way in the filing, reporting or prosecution by herself or any third party of a proceeding or Claim against any of the Released Parties.

4 . Payment. As good consideration for Employee's execution, delivery, and non-revocation of this Agreement, ID Systems shall provide Employee with the payments and benefits set forth in Section 2 of the Severance Agreement between Employee and ID Systems dated as of June 29, 2009, payable as set forth therein. Employee acknowledges that Employee is not otherwise entitled to receive the payments and benefits described in this Section 4 and acknowledges that nothing in this Agreement shall be deemed to be an admission of liability on the part of any of the Released Parties. Employee agrees that Employee will not seek anything further from any of the Released Parties.

5. Who is Bound. ID Systems and Employee are bound by this Agreement. Anyone who succeeds to Employee's rights and responsibilities, such as the executors of Employee's estate, is bound, and anyone who succeeds to ID Systems's rights and responsibilities, such as its successors and assigns, is also bound.

6. Cooperation. Employee agrees that, within five business days of the Separation Date, he shall provide ID Systems (attention: _____) with a written comprehensive summary of all outstanding work activities, current and prospective customer contact information, and otherwise reasonably cooperate as necessary to effect a transition of his responsibilities. Employee also agrees that he will cease from communicating with any current ID Systems employees (with the exception of _____) regarding ID Systems personnel or other business-related matters. Employee agrees to reasonably cooperate in any ID Systems investigations and/or litigation regarding events that occurred during Employee's tenure with ID Systems. ID Systems will compensate Employee for reasonable expenses Employee incurs in extending such cooperation regarding investigations and/or litigation, so long as Employee provides advance written notice of Employee's request for compensation.

7. Non Disparagement and Confidentiality. Employee agrees not to make any defamatory or derogatory statements concerning any of the Released Parties. Provided inquiries are directed to ID Systems' Department of Human Resources, ID Systems shall disclose to prospective employers information limited to Employee's dates of employment and last position held by Employee. Employee confirms and agrees that Employee shall not, directly or indirectly, disclose to any person or entity or use for Employee's own benefit, any confidential information concerning the business, finances or operations of ID Systems or its customers; provided, however, that Employee's obligations under this Section 7 shall not apply to information generally known in ID Systems' industry through no fault of Employee or the disclosure of which is required by law after reasonable notice has been provided to ID Systems sufficient to enable ID Systems to contest the disclosure. Confidential information shall include, without limitation, trade secrets, customer lists, details of contracts, pricing policies, operational materials, marketing plans or strategies, security and safety plans and strategies, project development, and any other non-public or confidential information of, or relating to, ID Systems or its affiliates. Employee also agrees that the amounts paid to Employee and all of the other terms of this Agreement shall be kept confidential, unless ID Systems discloses them in a public filing. Employee acknowledges that he continues to be bound by the Confidentiality, Assignment of Contributions and Inventions, Non-Competition and Non-Solicitation Agreement (the "Covenants Agreement").

8. Remedies. If Employee tells anyone the amount paid to Employee or any other term of this Agreement (unless ID Systems has publicly disclosed the terms of this Agreement in a public filing), breaches any other term or condition of this Agreement or the Covenants Agreement, or any representation made by Employee in this Agreement was false when made, it shall constitute a material breach of this Agreement and, in addition to and not instead of the Released Parties' other remedies hereunder, under the Covenants Agreement or otherwise at law or in equity, Employee shall be required to immediately, upon written notice from ID Systems, return the payments paid by ID Systems hereunder, less $500. Employee agrees that if Employee is required to return the payments, this Agreement shall continue to be binding on Employee and the Released Parties shall be entitled to enforce the provisions of this Agreement as if the payments had not been repaid to ID Systems and ID Systems shall have no further payment obligations to Employee hereunder. Further, in the event of a material breach of this Agreement, Employee agrees to pay all of the Released Parties' attorneys' fees and other costs associated with enforcing this Agreement.

9. ID Systems Property. Employee represents that he has returned all ID Systems property in Employee's possession, custody or control, including, but not limited to, all ID Systems equipment, samples, laptop computers, personal digital assistants, cell phones, pass codes, keys, swipe cards, documents or other materials that Employee received, prepared, or helped prepare. Employee represents that Employee has not retained any copies, duplicates, reproductions, computer disks, or excerpts thereof of ID Systems' documents.

10. Construction of Agreement. In the event that one or more of the provisions contained in this Agreement shall for any reason be held unenforceable in any respect under the law of any state of the United States or the United States, such unenforceability shall not affect any other provision of this Agreement, but this Agreement shall then be construed as if such unenforceable provision or provisions had never been contained herein or therein. If it is ever held that any restriction hereunder is too broad to permit enforcement of such restriction to its fullest extent, such restriction shall be enforced to the maximum extent permitted by applicable law. This Agreement and any and all matters arising directly or indirectly herefrom or therefrom shall be governed under the laws of the State of New Jersey, without reference to choice of law rules. ID Systems and Employee consent to the sole jurisdiction of the federal and state courts of New Jersey. **ID SYSTEMS AND EMPLOYEE HEREBY WAIVE THEIR RESPECTIVE RIGHT TO TRIAL BY JURY IN ANY ACTION CONCERNING THIS AGREEMENT OR ANY AND ALL MATTERS ARISING DIRECTLY OR INDIRECTLY HEREFROM AND REPRESENT THAT THEY HAVE CONSULTED WITH COUNSEL OF THEIR CHOICE OR HAVE CHOSEN VOLUNTARILY NOT TO DO SO SPECIFICALLY WITH RESPECT TO THIS WAIVER.**

11. Acknowledgments. ID Systems and Employee acknowledge and agree that:

(A) By entering into this Agreement, Employee does not waive any rights or Claims that may arise after the date that Employee executes and delivers this Agreement to ID Systems;

(B) This Agreement shall not affect the rights and responsibilities of the Equal Employment Opportunity Commission (the "EEOC") to enforce the ADEA and other laws, and further acknowledge and agree that this Agreement shall not be used to justify interfering with Employee's protected right to file a charge or participate in an investigation or proceeding conducted by the EEOC. Accordingly, nothing in this Agreement shall preclude Employee from filing a charge with, or participating in any manner in an investigation, hearing or proceeding conducted by, the EEOC, but Employee hereby waives any and all rights to recover under, or by virtue of, any such investigation, hearing or proceeding;

(C) Notwithstanding anything set forth in this Agreement to the contrary, nothing in this Agreement shall affect or be used to interfere with Employee's protected right to test in any court, under the Older Workers' Benefit Protection Act, or like statute or regulation, the validity of the waiver of rights under ADEA set forth in this Agreement; and

(D) Nothing in this Agreement shall preclude Employee from: exercising Employee's rights, if any (i) under Section 601-608 of the Employee Retirement Income Security Act of 1974, as amended, popularly known as COBRA, or (ii) ID Systems's pension plan or 401(k) plan, if applicable.

12. Opportunity For Review.

(A) Employee represents and warrants that Employee: (i) has had sufficient opportunity to consider this Agreement; (ii) has read this Agreement; (iii) understands all the terms and conditions hereof; (iv) is not incompetent or had a guardian, conservator or trustee appointed for Employee; (v) has entered into this Agreement of Employee's own free will and volition; (vi) has duly executed and delivered this Agreement; (vii) understands that Employee is responsible for Employee's own attorney's fees and costs; (viii) has had the opportunity to review this Agreement with counsel of Employee's choice or has chosen voluntarily not to do so; (ix) understands the Employee has been given twenty-one (21) days to review this Agreement before signing this Agreement and understands that he is free to use as much or as little of the 21-day period as he wishes or considers necessary before deciding to sign this Agreement; (x) understands that if Employee does not sign and return this Agreement to ID Systems within 21 days of his receipt, ID Systems shall have no obligation to enter into this Agreement, Employee shall not be entitled to the payments and benefits set forth in Section 4 of this Agreement, and the Separation Date shall be unaltered; and (xi) this Agreement is valid, binding and enforceable against the parties to this Agreement in accordance with its terms.

(B) This Agreement shall be effective and enforceable on the eighth (8^{th}) day after execution and delivery to ID Systems by Employee. The parties to this Agreement understand and agree that Employee may revoke this Agreement after having executed and delivered it to ID Systems by so advising ID Systems in writing no later than 11:59 p.m. on the seventh (7^{th}) day after Employee's execution and delivery of this Agreement to ID Systems. If Employee revokes this Agreement, it shall not be effective or enforceable, Employee shall not be entitled to the payments and benefits set forth in Section 4 of this Agreement, and the Separation Date shall be unaltered.

Agreed to and accepted on this ____ day of _____, 20__.

Witness:

_____

EMPLOYEE:

_____
Name:

Agreed to and accepted on this ____ day of _____, 20__.

ID SYSTEMS, INC.

_____
Name:
Title:

EXHIBIT B
FORM OF COVENANTS AGREEMENT

I.D. SYSTEMS, INC.

Confidentiality, Assignment of Contributions and Inventions, Non-Competition, and Non-Solicitation Agreement

Background. I am a paid employee of I.D. Systems, Inc., a Delaware corporation (the "Company"). I am executing this Agreement in consideration of my continued employment with the Company and the severance agreement effective as of June 29, 2009, the restricted stock award granted pursuant to the restricted stock award agreement dated as of June 29, 2009, the restricted stock unit award granted pursuant to the restricted stock unit award agreement dated as of June 29, 2009 and the stock option grant pursuant to the stock option grant agreement with a grant date of June 29, 2009.

1. **Confidentiality**. While working for the Company, I may have previously developed or acquired, or may in the future develop or acquire, knowledge in my work or from my colleagues or otherwise of Confidential Information relating to the Company, its business, potential business or that of its customers or its or their respective affiliates. "Confidential Information" includes information concerning the identity of customers or their requirements or key contacts within the customer's organization, suppliers, distributors, software programs, demonstration programs, routines, algorithms, computer systems, plans, strategies, research, formulations, processes, production methods and sources, products and specifications, equipment manufacturing and other techniques, designs, know-how, show how, trade secrets, inventions, improvements, discoveries, concepts, methodology, formulas, drawings, maps, manuals, models, specifications, records, files, memoranda, notes, reports, files, correspondence, financial and sales data, pricing lists or terms, trading terms, training materials and methods, marketing, distribution, and merchandising techniques and strategies, evaluations, opinions and interpretations, together with all other writings or materials of any type embodying any of the foregoing and any and all other technical, operating, financial, and business information or materials relating to the Company, its customers or its or their respective affiliates, whether or not reduced to writing or other medium and whether or not marked or labeled confidential, proprietary, or the like, regardless of whether created by me, others or both. Confidential Information does not include information that is or becomes public domain without fault on my part. I will have the burden of proof with respect to the exclusion of any information from the definition of "Confidential Information."

With respect to Confidential Information of the Company, its customers and its or their respective affiliates, I agree that:

(a) The Confidential Information is and will continue to be the sole and exclusive property of the Company;

(b) Except as required under applicable law or pursuant to any judicial process or administrative proceeding with subpoena powers, I will use the Confidential Information only in the performance of my duties for the Company. I will not use the Confidential Information at any time (during or after my employment with the Company or any of its affiliates) for my personal benefit, for the benefit of any other Person or in any manner adverse to the interests of the Company, its customers or its or their respective affiliates;

(c) Except as required under applicable law or pursuant to any judicial process or administrative proceeding with subpoena powers, I will not disclose the Confidential Information at any time (during or after my employment with the Company or any of its affiliates) except to authorized Company personnel, unless the Company consents in advance in writing or unless the Confidential Information indisputably becomes of public knowledge or enters the public domain (without fault on my part);

(d) I will safeguard the Confidential Information by all reasonable steps and abide by all policies and procedures of the Company and its customers in effect from time to time regarding storage, copying, destroying, publication or posting, or handling of such Confidential Information, in whatever medium or format that Confidential Information takes;

(e) Except as required under applicable law or pursuant to any judicial process or administrative proceeding with subpoena powers, I will execute and abide by all confidentiality agreements that the Company reasonably requests me to sign or abide by, whether those agreements are for the benefit of the Company, an affiliate or an actual or a potential customer or supplier thereof;

(f) I will return all materials containing or relating to Confidential Information, together with all other Company or customer property, to the Company when my employment with the Company or any of its affiliates terminates (either voluntary or involuntary) or upon the Company's earlier request. I shall not retain any copies or reproductions of correspondence, memoranda, reports, notebooks, drawings, photographs, or other documents relating in any way to the business or affairs of the Company, its customers or its or their respective affiliates; and

(g) Upon any termination of my employment with the Company, I will acknowledge to the Company, in writing and under oath, in the form attached hereto as Exhibit A that I have complied with this Agreement.

As used herein, the term "Person" means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization or a governmental entity or department, agency or subdivision of the government entity.

For purposes of clauses (b), (c) and (e), in the event of any required disclosure, I will promptly notify the Company and reasonably cooperate and assist the Company in resisting such disclosure in the event it chooses to do so.

2. **Contributions and Inventions.** While employed by the Company, I may make Contributions and Inventions deemed by the Company to have value to it. The terms "Contributions" and "Inventions" are understood to include all information, ideas, concepts, technology, improvements, discoveries, formulae, inventions, creations, discoveries, techniques, designs, methods, trade secrets, technical specifications and data, works, modifications, processes, know-how, show-how, concepts, expressions, improvements, works of authorship (including computer programs), ideas and other developments, whether or not they are patentable or copyrightable or subject to analogous protection and regardless of their form or state of development and whether or not I have made them alone or with others, together with any and all rights to U.S. or foreign applications for patents, inventor's certifications or other industrial rights that may be filed thereon, including divisions, continuations-in-part, reissues and/or extensions thereof.

This Agreement covers Contributions and Inventions of any kind that are conceived or made by me, alone or with others, while I am employed by the Company, regardless of whether they are conceived or made during regular working hours or at my place of work (whether located at the Company, customer facilities, at home or elsewhere) and that (i) relate to the Company's business or potential business or that of its affiliates, (ii) result from tasks assigned to me by the Company, or (iii) are conceived or made with the use of the Company's time, facilities, resources, or materials. With respect to Contributions or Inventions covered by this Agreement, I agree that:

(a) I will disclose them promptly to the Company. I will not disclose them to anyone other than authorized Company personnel;

(b) They will belong solely to the Company from conception as "works made for hire" (as that term is used under U.S. copyright law) or otherwise. To the extent that title to any such Contributions and Inventions do not, by operation of law, vest in the Company, I hereby irrevocably assign to the Company all right, title and interest, including, without limitation, tangible and intangible rights such as patent rights, trademarks, and copyrights, that I may have or may acquire in and to all such Contributions and Inventions, benefits and/or rights resulting therefrom, and agree to promptly execute any further specific assignments related to such Contributions or Inventions, benefits and/or rights at the request of the Company. If the Company wants more specific or formal evidence of this, I will sign written documents of assignment at the Company's request. I also hereby assign to the Company, or waive if not assignable, all "moral rights" in and to any Contributions and Inventions and agree promptly to execute any further specific assignments or waivers related to moral rights at the request of the Company; and

(c) I will, at any time, either during the time I am employed by the Company or thereafter, assist the Company in obtaining and maintaining patent, copyright, trademark, mask works and other protection for them, in all countries and territories, at the Company's expense. In the event that the Company is unable to secure my signature after reasonable effort in connection with any patent, trademark, copyright, mask work or other similar protection relating to a Contribution or an Invention, I hereby irrevocably designate and appoint the Company and its duly authorized officers and agents as my agent and attorney-in-fact, to act for and on my behalf and stead to execute and file any such application and to do all other lawfully permitted acts to further the prosecution and issuance of patents, trademarks, copyrights, mask works or other similar protection thereon with the same legal force and effect as if executed by me.

(d) Any Contributions or Inventions relating to the business of the Company and disclosed to the Company within 6 months following the termination of my employment shall be deemed to fall within the provisions of this Section 2. The "business of the Company' as used in this Section 2 includes the actual business conducted by the Company or any of its affiliates at any time during my employment with the Company, as well as any business in which the Company or any of its affiliates, at any time during my employment with the Company, proposes or proposes to engage.

3 . **Obligations to Prior Employers or Others**. I do not have any non-disclosure, non-compete, non-solicitation or other obligations to any previous employer or other Person that would prohibit, limit, conflict or interfere with my obligations under this Agreement or the performance of my duties for the Company. I will not disclose to the Company or its customers or induce the Company or its customers to use any secret or confidential information or material belonging to others, including my former employers, if any.

4. **Excluded Information**. A complete list, by non-confidential descriptive title of all Contributions, Inventions, ideas, reports or other creative works, if any, made or conceived by me prior to my employment by the Company and intended to be excluded from this Agreement, is attached as Exhibit B. I shall not assert any rights under any Contributions, Inventions, ideas, reports or other creative works as having been made or acquired by me prior to my being employed by the Company, unless such Contributions, Inventions, ideas, reports or other creative works are identified on Exhibit B. If, after the date of this Agreement, I believe that any Contribution or Invention is excluded from this Agreement, I agree to obtain written authorization from the Company, prior to applying for any patent on the Contribution or Invention, and prior to taking any steps to commercially exploit the Contribution or Invention.

5. **Covenant Against Competition and Solicitation**.

(a) I acknowledge and understand that, in view of my position as an employee of the Company, I may have previously been afforded, or in the future may be afforded, access to the Company's Confidential Information and that of its affiliates. I therefore agree that during the course of my employment with the Company or any of its affiliates and for a period of 12 months after termination of my employment with the Company and all of its affiliates (for any reason or no reason) (the "Restricted Period"), I will not, anywhere within the United States of America or any other country or territory in which the Company or its affiliates conducts business, either directly or indirectly, whether alone or as an employee, employer, consultant, independent contractor, agent, principal, partner, joint venturer, stockholder, member, officer, director or otherwise of any company or other business enterprise, or in any other individual or representative capacity, engage in, assist in, participate in, or otherwise be connected to or benefit from any Competitive Business. As used in this Agreement, "Competitive Business" shall mean any individual, entity, or business enterprise that is engaged in or is seeking to engage in: (i) the development, design, manufacture, marketing, sale and/or distribution of tracking and monitoring products; or (ii) the development, design, manufacture, marketing, sale and/or distribution of any products that are directly competitive with products that (a) represent at least 10% of the Company's consolidated product revenues, (b) were first sold or distributed by the Company or any of its affiliates during the preceding 12-month period, or (c) are being developed, produced, marketed and/or distributed by the Company or any of its affiliates and are scheduled to be first sold or distributed by the Company within a 12-month period; provided, however, that for purposes of this definition, a business shall be a "Competitive Business," as it applies during the 12 month period after termination of my employment only if the Company is engaged or is actively seeking to engage in that business on the date of my termination of employment with the Company or was engaged or actively seeking to engage in that business at any time during the preceding 12 months.

(b) During the Restricted Period, I will not, without the express prior written consent of the Company, directly or indirectly: (i) solicit, induce, or assist any third person in soliciting or inducing any Person that is (or was at any time within the 12 months prior to the solicitation or inducement) an employee, consultant, independent contractor or agent of the Company or any of its affiliates to leave the employment of the Company or any of its affiliates or cease performing services as an independent contractor, consultant or agent of the Company or any of its affiliates; (ii) hire, engage, or assist any third party in hiring or engaging, any individual that is or was (at any time within the 12 months prior to the attempted hiring) an employee of the Company or any of its affiliates; or (iii) contact, communicate, solicit, or transact any business with or assist any third party in contacting, communicating, soliciting, or transacting any business with any Person that is or was (at any time within 12 months prior to the contact, communication, solicitation, or transaction) a customer, distributor or supplier of the Company or its affiliates (or Person who, at any time during the 12 months prior to the contact, communication, solicitation, or transaction, the Company or its affiliates contacted, communicated with or solicited for the purposes of becoming a customer, distributor, or supplier of the Company or its affiliates and I was in any way involved or otherwise had knowledge of or reasonably should have had knowledge of such contact, communication, or solicitation) for the purposes of inducing such customer, distributor, or supplier or potential customer, distributor, or supplier to be connected to or benefit from any business competitive with that of the Company or its affiliates or terminate its or their business relationship with the Company or its affiliates.

6. **Non-Disparagement**. I will not at any time (during or after my employment with the Company) disparage the reputation of the Company, its affiliates, or any of its or their respective officers and directors.

7. **Interpretation and Scope of this Agreement**.

(a) In the event that any court of competent jurisdiction shall determine that any one or more of the provisions contained in this Agreement shall be unenforceable in any respect, then such provision shall be deemed limited and restricted to the extent that the court shall deem the provision to be enforceable. It is the intention of the parties to this Agreement that the covenants and restrictions in this Agreement be given the broadest interpretation permitted by law. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision hereof. The covenants and restrictions contained in this Agreement shall be deemed a series of separate covenants and restrictions. If, in any judicial proceeding, a court of competent jurisdiction should refuse to enforce all of the separate covenants and restrictions in this Agreement, then such unenforceable covenants and restrictions shall be deemed eliminated from the provisions of this Agreement for the purpose of such proceeding to the extent necessary to permit the remaining separate covenants and restrictions to be enforced in such proceeding.

(b) I acknowledge that the restrictions on the activities in which I may engage that are set forth in this Agreement and the location and period of time for which such restrictions apply are reasonable and necessary to protect the legitimate business interests of the Company and shall survive the termination of my employment. I understand that the Company's business is global and, accordingly, the restrictions cannot be limited to any particular geographic area. I further acknowledge that the restrictions contained in this Agreement will not prevent me from earning a livelihood during the applicable period of restriction.

(c) I understand and agree that if I breach or threaten to breach any of the provisions of this Agreement, including, without limitation, the provisions of Sections 1, 2, 5 or 6 hereof, the Company would suffer irreparable harm and damages would be an inadequate remedy. Accordingly, I acknowledge that, in the event of any breach or threatened breach by me of any of the provisions of this Agreement, the Company shall be entitled to temporary, preliminary and permanent injunctive or other equitable relief in any court of competent jurisdiction (without being required to post a bond or other collateral) and to an equitable accounting of all earnings, profits and other benefits arising, directly or indirectly, from such violation, which rights shall be cumulative and in addition to (rather than instead of) any other rights or remedies to which the Company may be entitled at law or in equity. In addition (and not instead of those rights), I further covenant that I shall be responsible for payment of the reasonable fees and expenses of the Company's attorneys and experts, as well as the Company's court costs, pertaining to any suit, arbitration, mediation, action or other proceeding (including the costs of any investigation related thereto) in which the Company prevails, arising directly or indirectly out of my violation or threatened violation of any of the provisions of this Agreement. If the Company does not prevail in any suit, arbitration, mediation, action or other proceeding arising directly or indirectly out of my purported violation of any of the provisions of this Agreement, the Company shall be responsible for payment of the reasonable fees and expenses of attorneys and experts that I incur, as well as my court costs, pertaining to any such suit, arbitration, mediation, action or other proceeding (including the costs of any investigation related thereto).

(d) This Agreement shall be binding upon me, my heirs, assigns and personal representatives and shall inure to the benefit of the Company, its affiliates and their respective successors and assigns (including, without limitation, the purchaser of all or substantially all of its assets).

(e) This Agreement shall constitute the entire agreement between Company and myself with respect to the matters covered hereby and shall supersede all previous written, oral or implied understandings between us with respect to such matters.

(f) I acknowledge that my employment with the Company is "at-will." I understand that nothing contained in this Agreement shall give me a right to continue in the employ of the Company, and the right to terminate my employment with the Company, at any time, with or without cause, is specifically reserved to the Company. I also understand that I may resign from employment with the Company at any time in my discretion.

(g) Any and all actions or controversies arising out of this Agreement, Employee's employment by the Company or termination therefrom, including, without limitation, tort claims, shall be construed and enforced in accordance with the internal laws of the State of New Jersey, without regard to the choice of law principles thereof.

I represent and warrant that: (a) I have read this Agreement; (b) I understand all the terms and conditions hereof; (c) I have entered into this Agreement of my own free will and volition; (d) I have been advised by the Company to seek and have, to the extent I have deemed necessary, received the advice of counsel of any own selection; and (e) the terms of this Agreement are fair, reasonable and are being agreed to voluntarily in exchange for my continued employment with the Company and the severance agreement effective as of June 29, 2009, the restricted stock award granted pursuant to the restricted stock award agreement dated as of June 29, 2009, the restricted stock unit award granted pursuant to the restricted stock unit award agreement dated as of June 29, 2009 and the stock option grant pursuant to the stock option grant agreement with a grant date of June 29, 2009.

Date: 9/22/09 /s/ Michael Ehrman

Name: Michael Ehrman

Accepted:

I.D. SYSTEMS, INC.

By: /s/ Ned Mavrommatis

EXHIBIT A

STATE OF NEW JERSEY
COUNTY OF _____

The undersigned, being duly sworn, does hereby certify that he/she has complied with, and will continue to comply with, for the applicable period set forth therein, all of the terms of the Confidentiality, Assignment of Contributions and Inventions, Non Competition and Non-Solicitation Agreement dated _____ __, 200_ by the Undersigned in favor of I.D. Systems, Inc. (the "Company"). I have returned all Company property and all materials relating to or containing Confidential Information to the Company and I have not retained any copies or reproductions of any correspondence, memoranda, reports, notebooks, drawings, photographs or other documents or materials relating to the affairs of the Company, its customers and its or their affiliates.

_____
Name:

Sworn and Subscribed to
before me this ____ day of
_____, _____

_____

EXHIBIT B

Excluded Information
(See Section 4. If None, type "NONE")

NONE

Exhibit 10.5

I.D. SYSTEMS, INC.

2009 NON-EMPLOYEE DIRECTOR EQUITY COMPENSATION PLAN

1. **Purposes of the Plan.** The purposes of this I.D. Systems 2009 Non-Employee Director Equity Compensation Plan are to attract qualified individuals for positions of responsibility as outside directors of the Company, and to provide incentives for qualified individuals to remain on the Board as outside directors.

2. **Definitions.** As used herein, the following definitions shall apply:

"Administrator" means the Board or a committee designated by the Board to administer this Plan and consisting solely of members of the Board.

"Applicable Laws" means the requirements relating to the administration of stock option plans under U.S. state corporate laws, U.S. federal and state securities laws, the Code, any stock exchange or quotation system on which the Common Stock is listed or quoted and the applicable laws of any foreign country or jurisdiction where Options are, or will be, granted under the Plan.

"Board" means the Board of Directors of the Company.

"Cause" means removal from the Board by means of a resolution that recites that the Participant is being removed solely for Cause.

"Change in Control" means the occurrence of any of the following events with respect to the Company:

(A) the consummation of any consolidation or merger of the Company in which the Company is not the continuing or surviving corporation or pursuant to which Common Stock would be converted into cash, securities or other property, other than a merger of the Company in which the holders of Common Stock immediately prior to the merger own more than fifty percent (50%) of the outstanding common stock of the surviving corporation immediately after the merger; or

(B) the consummation of any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all, or substantially all, of the assets of the Company, other than to a subsidiary or affiliate; or

(C) any action pursuant to which any person (as such term is defined in Section 13(d) of the Exchange Act), corporation or other entity shall become the "beneficial owner" (as such term is defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of shares of capital stock entitled to vote generally for the election of directors of the Company ("Voting Securities") representing more than fifty (50%) percent of the combined voting power of the Company's then outstanding Voting Securities (calculated as provided in Rule 13d-3(d) in the case of rights to acquire any such securities); or

(D) the individuals (x) who, as of the Effective Date, constitute the Board (the "Original Directors") and (y) who thereafter are elected to the Board and whose election, or nomination for election, to the Board was approved by a vote of a majority of the Original Directors then still in office (such Directors being called "Additional Original Directors") and (z) who thereafter are elected to the Board and whose election or nomination for election to the Board was approved by a vote of a majority of the Original Directors and Additional Original Directors then still in office, cease for any reason to constitute a majority of the members of the Board.

"Code" means the Internal Revenue Code of 1986, as amended.

"Common Stock" means the common stock, par value $.01 per share, of the Company.

"Company" means I.D. Systems, Inc., a Delaware corporation.

"Director" means a member of the Board.

"Disability" means permanent and total disability within the meaning of Section 22(e)(3) of the Code.

"Effective Date" means the date on which this Plan is approved by stockholders of the Company.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Fair Market Value" means, as of any date, the value of Common Stock determined as follows:

(i) if the Common Stock is listed on any established stock exchange or a national market system, including without limitation the Nasdaq Global Market or the Nasdaq Capital Market of The Nasdaq Stock Market, the fair market value of a share of Common Stock shall be the closing sales price of a share of Common Stock as quoted on such exchange or system for such date (or the most recent trading day preceding such date if there were no trades on such date), as reported in The Wall Street Journal or such other source as the Administrator deems reliable;

(ii) if the Common Stock is regularly quoted by a recognized securities dealer but is not listed in the manner contemplated by clause (i) above, the Fair Market Value of a share of Common Stock shall be the mean between the high bid and low asked prices for the Common Stock on the last market trading day prior to the day of determination, as reported in The Wall Street Journal or such other source as the Administrator deems reliable; or

(iii) if neither clause (i) above nor clause (ii) above applies, the Fair Market Value of a share of Common Stock shall be determined in good faith by the Administrator based on the reasonable application of a reasonable valuation method.

"Option" means a stock option granted pursuant to the Plan.

"Option Agreement" means an agreement between the Company and an Optionee evidencing the terms and conditions of an individual Option grant. The Option Agreement is subject to the terms and conditions of the Plan.

"Optionee" means the holder of an outstanding Option granted under the Plan.

"Outside Director" means any Director who, on the date such person is to receive a grant of an Option or Restricted Shares hereunder is not an employee of the Company or any of the Company's subsidiaries.

"Participant" shall mean any Outside Director who holds an Option or a Restricted Stock Award granted or issued pursuant to the Plan.

"Plan" means this I.D. Systems, Inc. 2009 Non-Employee Director Equity Compensation Plan.

"Restricted Stock Award" means a grant of Restricted Shares pursuant to Section 7 of the Plan.

"Restricted Stock Agreement" means an agreement, approved by the Administrator, evidencing the terms and conditions of a Restricted Stock Award.

"Restricted Shares" means Shares subject to a Restricted Stock Award.

"Share" means a share of Common Stock, as adjusted in accordance with Section 12 of the Plan.

3. **Stock Subject to the Plan.** Subject to the provisions of Section 12 of the Plan, the maximum aggregate number of Shares that may be issued upon exercise of Options and/or as Restricted Shares under the Plan is Three Hundred Thousand (300,000) Shares. The Shares may be authorized, but unissued, or reacquired Common Stock. If an Option expires or becomes unexercisable without having been exercised in full, the unpurchased Shares that were subject thereto shall become available for future grant or sale under the Plan (unless the Plan has terminated); provided, however, that Shares that have actually been issued under the Plan upon exercise of an Option shall not be returned to the Plan and shall not become available for future distribution under the Plan. Restricted Shares that have been transferred back to the Company shall also be available for future grants of Options or Restricted Shares under the Plan.

4. **Administration of the Plan.**

(a) *Administration*. The Plan shall be administered by the Administrator. The Administrator shall have the authority, in its discretion:

(i) to determine the Fair Market Value of Common Stock;

(ii) to approve forms of agreement for use under the Plan;

(iii) to determine the number of Options to be granted to any Outside Director and the exercise price and other terms and conditions of Options;

(iv) to determine the number of Restricted Shares to be granted to any Outside Director and the terms and conditions of Restricted Stock Awards;

(v) to construe and interpret the terms of the Plan;

(vi) to prescribe, amend and rescind rules and regulations relating to the Plan;

(vii) to allow Participants to satisfy withholding tax obligations by having the Company withhold from the shares of Common Stock to be issued upon exercise of an Option or upon vesting of Restricted Shares that number of Shares having a Fair Market Value equal to the amount required to be withheld, provided that withholding is calculated at the minimum statutory withholding level. The Fair Market Value of the Shares to be withheld shall be determined on the date that the amount of tax to be withheld is to be determined. All determinations to have Shares withheld for this purpose shall be made by the Administrator in its discretion;

(viii) to authorize any person to execute on behalf of the Company any instrument required to effect the grant of an Option or Restricted Stock Award granted by the Administrator; and

(ix) to make all other determinations deemed necessary or advisable for administering the Plan.

(b) *Effect of Administrator's Decision*. The Administrator's decisions, determinations and interpretations shall be final and binding on all Participants and anyone else who may claim an interest in Options or Restricted Shares.

5. **Eligibility.** The only persons who shall be eligible to receive Options and/or Restricted Stock Awards under the Plan shall be persons who, on the date such Options or Awards are granted, are Outside Directors.

6. **Term of the Plan.** No Option or Restricted Stock Award may be granted under the Plan more than ten (10) years after the Effective Date.

7. **Grants of Restricted Stock Awards.** Subject to Section 3 hereof, the Administrator may grant Restricted Shares to Participants in such numbers and at such times as the Administrator determines to be appropriate.

8. **Terms of Restricted Stock Awards.** Except as provided herein, Restricted Shares shall be subject to restrictions ("Restrictions") prohibiting such Restricted Shares from being sold, transferred, assigned, pledged or otherwise encumbered or disposed of. The Administrator shall determine the terms and conditions under which the Restrictions with respect to each award of Restricted Shares shall lapse; provided, however, that except as provided below, the Restrictions with respect to each award of Restricted Shares shall not lapse with respect to more than 20% of the Restricted Shares that are the subject of a particular award during any 12 month period commencing from the date of grant of such award. Notwithstanding the foregoing, the Restrictions with respect to a Participant's Restricted Shares shall lapse immediately in the event that (i) the Participant is removed from service as a Director (other than for Cause) before his or her term has expired (and does not continue as, or become, an employee of the Company or a subsidiary of the Company), (ii) the Participant is nominated for a new term as an Outside Director but is not elected by stockholders of the Company, (iii) the Participant ceases to be a member of the Board due to death, disability or mandatory retirement (if any), or (iv) if the Participant ceases to continue as a member of the Board or of the board of directors of a successor company following a Change in Control.

The Company shall issue, in the name of each Participant to whom Restricted Shares have been granted, stock certificates representing the total number of Restricted Shares granted to such Participant as soon as reasonably practicable after the grant. However, the Company shall hold such certificates, properly endorsed for transfer, for the Participant's benefit until such time as the Restriction Period applicable to such Restricted Shares lapses. Upon the expiration or termination of the Restricted Period, the restrictions applicable to the Restricted Shares shall lapse and a stock certificate for the number of Restricted Shares with respect to which the restrictions have lapsed shall be delivered, free of all such restrictions, to the Participant or his or her beneficiary or estate, as the case may be. In the event that a Participant ceases to be a member of the Board before the applicable Restriction Period has expired or under circumstances in which the Restriction Period does not otherwise lapse, the Restricted Shares granted to such Participant shall thereupon be forfeited and transferred back to the Company.

During the Restriction Period, a Participant shall have the right to vote his or her Restricted Shares and shall have the right to receive any cash dividends with respect to such Restricted Shares. All distributions, if any, received by a Participant with respect to Restricted Shares as a result of any stock split, stock distribution, combination of shares, or other similar transaction shall be subject to the same restrictions as are applicable to the Restricted Shares to which such distributions relate.

9. **Grants of Options.** Subject to Section 3 hereof, the Administrator may grant Options to Participants in such numbers and at such times as the Administrator determines to be appropriate. Options shall be in such form and shall contain such terms and conditions as required by the Plan and the Administrator. Each Option shall include (through incorporation of provisions hereof or by reference in the Option Agreement or otherwise) the substance of each of the following provisions:

(a) *Term*. Each Option shall cease to be exercisable ten (10) years after the date on which it is granted.

(b) *Exercise Price*. The per share exercise price for the Shares to be issued pursuant to exercise of an Option shall be 100% of the Fair Market Value per Share on the date of grant.

(c) *Vesting*. The Administrator shall determine the exercise terms of all Options; provided, however, that except to the extent provided by Section 13 hereof or as the Administrator may determine to be applicable in the event that a Participant ceases to be a member of the Board due to death, disability or mandatory retirement (if any), no Option granted hereunder shall be exercisable at a rate faster than would permit the Option to be exercised for more than 20% of the Shares of Common Stock that are subject to such Option during any 12 month period commencing from the date of grant.

(d) *Exercise Period*. Unless otherwise determined by the Administrator:

(i) subject to subsection (iii) below, in the event that an Optionee ceases to be a Director for any reason other than death or Disability, his or her Options, to the extent exercisable as of the date his or her services as a Director cease, shall remain exercisable for a period of ninety (90) days, but in no event longer than the term of the Option set forth in Section 9(a) above;

(ii) in the event that an Optionee ceases to be a Director due to death or Disability, his or her Options, to the extent exercisable as of the date his or her services as a Director cease, shall remain exercisable for a period of twelve (12) months, but in no event longer than the term of the Option set forth in Section 9(a) above.

(iii) in the event that an Optionee is removed as a Director for Cause, his or her Options, to the extent not exercised as of the date of the Optionee's removal, shall be forfeited and shall not thereafter be exercisable.

10. **Method of Exercise; Rights as a Shareholder.**

(a) *Procedure for Exercise*. An Option shall be deemed exercised when the Company receives: (i) written or electronic notice of exercise (in accordance with the Option Agreement) from the person entitled to exercise the Option, and (ii) full payment for the Shares with respect to which the Option is exercised. Full payment may consist of any consideration and method of payment authorized by the Administrator and permitted by the Option Agreement and Section 10(b) of the Plan. Shares issued upon exercise of an Option shall be issued in the name of the Optionee. An Option may not be exercised for a fraction of a Share. Until the Shares are issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a stockholder shall exist with respect to the Shares, notwithstanding the exercise of the Option. The Company shall issue (or cause to be issued) such Shares promptly after the Option is exercised. No adjustment will be made for a dividend or other right for which the record date is prior to the date the Shares are issued, except as provided in Section 13 of the Plan. Exercising an Option in any manner shall decrease the number of Shares thereafter available, both for purposes of the Plan and for sale under the Option, by the number of Shares as to which the Option is exercised.

(b) *Form of Consideration*. The Administrator shall determine the acceptable form of consideration for exercising an Option, including the method of payment. Such consideration may consist entirely of:

(i) cash;

(ii) check;

(iii) promissory note;

(iv) other Shares;

(v) consideration received by the Company under a cashless exercise program implemented by the Company in connection with the Plan;

(vii) any combination of the foregoing methods of payment; or

(vii) such other consideration and method of payment for the issuance of Shares to the extent permitted by Applicable Laws.

11. **Non-Transferability of Options**. Unless determined otherwise by the Administrator, an Option may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised, during the lifetime of the Optionee, only by the Optionee. If the Administrator makes an Option transferable, such Option shall contain such additional terms and conditions as the Administrator deems appropriate.

12. **Adjustments Upon Changes in Capitalization**. Subject to any required action by the stockholders of the Company, the number of shares of Common Stock covered by each outstanding Option or Restricted Stock Award, and the number of shares of Common Stock which have been authorized for issuance under the Plan but as to which no Options or Restricted Stock Awards have yet been granted or which have been returned to the Plan upon cancellation or expiration of an Option, as well as the price per share of Common Stock covered by each such outstanding Option, shall be proportionately adjusted for any increase or decrease in the number of issued shares of Common Stock resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Common Stock, or any other increase or decrease in the number of issued shares of Common Stock effected without receipt of consideration by the Company; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." Such adjustment shall be made by the Administrator, whose determination in that respect shall be final, binding and conclusive. Except as expressly provided herein, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Common Stock subject to an Option or Restricted Stock Award.

13. **Corporate Transactions**.

(a) *Dissolution or Liquidation*. In the event of the proposed dissolution or liquidation of the Company, each Optionee shall have the right to exercise his or her Option until ten (10) days prior to such transaction as to all of the Shares covered thereby, including Shares as to which an applicable Option would not otherwise be exercisable. To the extent it has not been previously exercised, an Option will terminate immediately prior to the consummation of such proposed action.

(b) *Merger or Asset Sale*. In the event of a merger or consolidation of the Company with or into another corporation or any other entity or the exchange of substantially all of the outstanding stock of the Company for shares of another entity or other property in which, after any such transaction the prior stockholders of the Company own less than fifty percent (50%) of the voting shares of the continuing or surviving entity, or in the event of the sale of all or substantially all of the assets of the Company, (any such event, a "Corporate Transaction"), then, absent a provision to the contrary in any particular Option Agreement, the Optionee shall fully vest in and have the right to exercise each outstanding Option as to all of the Shares covered thereby, including Shares which would not otherwise be vested or exercisable. In the event that the Administrator determines that the successor corporation or a parent of the successor corporation refuses to assume or substitute an equivalent option, then the Administrator shall notify all Optionees that all outstanding Options shall be fully exercisable for a period of fifteen (15) days from the date of such notice and that any Options that are not exercised within such period shall terminate upon the expiration of such period. For the purposes of this paragraph, all outstanding Options shall be considered assumed if, following the consummation of the Corporate Transaction, the Option confers the right to purchase or receive, for each Share subject to the Option immediately prior to the consummation of the Corporate Transaction, the consideration (whether stock, cash, or other property) received in the Corporate Transaction by holders of Common Stock for each Share held on the effective date of the transaction (and if holders were offered a choice of consideration, the type chosen by the holders of a majority of the outstanding Shares); provided, however, that if such consideration received in the Corporate Transaction is not solely common stock of the successor corporation or its parent corporation, the Administrator may, with the consent of the successor corporation, provide for the consideration to be received upon the exercise of the Option, for each Share subject to the Option, to be solely common stock of the successor corporation or its parent corporation equal in fair market value to the per share consideration received by holders of Common Stock in the Corporate Transaction.

14. **Grant Agreement**. Each grant of an Option or Restricted Stock Award under the Plan will be evidenced by a document in such form as the Administrator may from time to time approve. Such document will contain such provisions as the Administrator may in its discretion deem advisable, including without limitation additional restrictions or conditions upon the exercise of an Option, provided that such provisions are not inconsistent with any of the provisions of the Plan.

15. **Amendment and Termination of the Plan**.

(a) *Amendment and Termination*. The Board may at any time amend, alter, suspend or terminate the Plan.

(b) *Stockholder Approval*. The Company shall obtain stockholder approval of any Plan amendment to the extent necessary to comply with Applicable Laws.

(c) *Effect of Amendment or Termination*. No amendment, alteration, suspension or termination of the Plan shall impair the rights of any Participant, unless mutually agreed otherwise between the Participant and the Administrator, which agreement must be in writing and signed by the Participant and the Company. Termination of the Plan shall not affect the Administrator's ability to exercise the powers granted to it hereunder with respect to Options or Restricted Shares granted under the Plan prior to the date of such termination.

16. **Repricing of Options**. Except in connection with a corporate transaction involving the Company (including, without limitation, any stock dividend, stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination, or exchange of shares), the terms of outstanding Options may not be amended to reduce the exercise price of outstanding Options or to cancel outstanding Options in exchange for cash, other awards or Options with an exercise price that is less than the exercise price of the original Options without stockholder approval.

17. **Conditions Upon Issuance of Shares**.

(a) *Legal Compliance*. Shares shall not be issued pursuant to a Restricted Stock Award or the exercise of an Option unless the exercise of such Option and the issuance and delivery of such Shares shall comply with Applicable Laws and shall be further subject to the approval of counsel for the Company with respect to such compliance.

(b) *Investment Representations*. As a condition to the exercise of an Option or the issuance of Restricted Shares, the Company may require the Participant to represent and warrant at the time of any such exercise or issuance that the Shares are being purchased or acquired, as the case may be, only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required. Not in limitation of any of the foregoing, in any such case referred to in the preceding sentence the Administrator may also require the Participant to execute and deliver documents containing such representations (including the investment representations described in this Section 16(b)), warranties and agreements as the Administrator or counsel to the Company shall deem necessary or advisable to comply with any exemption from registration under the Securities Act of 1933, as amended, any applicable State securities laws, and any other applicable law, regulation or rule.

(c) *Additional Conditions*. The Administrator shall have the authority to condition the grant of any Option, the issuance of Shares pursuant to the exercise of an Option, or the grant of any Restricted Shares, in such other manner that the Administrator determines to be appropriate, provided that such condition is not inconsistent with the terms of the Plan.

18. **Inability to Obtain Authority**. The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

19. **Reservation of Shares**. The Company, during the term of this Plan, will at all times reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of the Plan.

20. **Stockholder Approval**. The Plan shall be subject to approval by the stockholders of the Company. Such stockholder approval shall be obtained in the manner and to the degree required under Applicable Laws.

21. **Withholding; Notice of Sale**. Each Participant shall, no later than the date as of which the value of an Option or Restricted Stock Award or of any Shares or other amounts received thereunder first becomes includable in the gross income of the Participant for Federal income tax purposes, pay to the Company, or make arrangements satisfactory to the Administrator regarding payment of, any Federal, state, or local taxes of any kind required by law to be withheld with respect to such income. The Company shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the Participant. The Company's obligation to deliver stock certificates to any Participant is subject to and conditioned on any such tax obligations being satisfied by the Participant. Subject to approval by the Administrator, a Participant may elect to have the minimum required tax withholding obligation satisfied, in whole or in part, by (i) authorizing the Company to withhold from Shares to be issued pursuant to any Option or Restricted Stock Award a number of Shares with an aggregate Fair Market Value (as of the date the withholding is effected) that would satisfy the withholding amount due, or (ii) transferring to the Company Shares owned by the Participant with an aggregate Fair Market Value (as of the date the withholding is effected) that would satisfy the minimum withholding amount due.

22. **Governing Law**. This Plan shall be governed by the laws of the State of Delaware.

Exhibit 31.1

CERTIFICATION

I, Jeffrey M. Jagid, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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 consolidated financial statements, and other financial information included in this report, fairly present in all material respects the consolidated financial condition, consolidated results of operations and consolidated 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 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 controls over financial reporting.

Date: November 6, 2009

/s/ Jeffrey M. Jagid

Jeffrey M. Jagid
Chairman and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Ned Mavrommatis, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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 consolidated financial statements, and other financial information included in this report, fairly present in all material respects the consolidated financial condition, consolidated results of operations and consolidated 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 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 controls over financial reporting.

Date: November 6, 2009

/s/ Ned Mavrommatis

Ned Mavrommatis
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32

CERTIFICATION
OF
CHIEF EXECUTIVE OFFICER
AND
CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Jeffrey M. Jagid, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of I.D. Systems, Inc. for the quarter ended September 30, 2009, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of I.D. Systems, Inc.

I, Ned Mavrommatis, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of I.D. Systems, Inc. for the quarter ended September 30, 2009, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of I.D. Systems, Inc.

By: /s/ Jeffrey M. Jagid
Jeffrey M. Jagid
Chairman and Chief Executive Officer
(Principal Executive Officer)
Date: November 6, 2009

By: /s/ Ned Mavrommatis
Ned Mavrommatis
Chief Financial Officer
(Principal Financial Officer)
Date: November 6, 2009

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 Quarterly Report on Form 10-Q of I.D. Systems, Inc. for the quarter ended March 31, 2009 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 I.D. Systems, Inc. and will be retained by I.D. Systems, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.