UNITED STATES
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, 2013

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: 001-15087

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.)
123 Tice Boulevard **Woodcliff Lake, New Jersey**	**07677**
(Address of principal executive offices)	(Zip Code)

(201) 996-9000
(Registrant'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, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ **Accelerated filer** ☐ **Non-accelerated filer** ☒ **Smaller reporting company** ☐

(Do not check if a 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 8, 2013 was 12,192,986.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

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

	December 31, 2012*	September 30, 2013 (Unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,614,000	**$ 4,243,000**
Restricted cash	300,000	**300,000**
Investments - short term	4,794,000	**3,246,000**
Accounts receivable, net of allowance for doubtful accounts of $653,000 and $757,000 in 2012 and 2013, respectively	8,814,000	**9,463,000**
Financing receivables - current, net of allowance for doubtful accounts of $-0- in 2012 and 2013	3,143,000	**4,016,000**
Inventory, net	7,512,000	**7,574,000**
Deferred costs - current	2,380,000	**1,937,000**
Prepaid expenses and other current assets	1,043,000	**1,168,000**
Deferred tax asset - current	662,000	**-**
Total current assets	30,262,000	**31,947,000**
Investments - long term	9,064,000	**5,818,000**
Financing receivables - less current portion	10,814,000	**10,807,000**
Deferred costs - less current portion	2,651,000	**3,189,000**
Fixed assets, net	2,401,000	**2,427,000**
Goodwill	1,837,000	**1,837,000**
Intangible assets, net	3,230,000	**2,411,000**
Other assets	307,000	**322,000**
	$ 60,566,000	**$ 58,758,000**
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	$ 5,638,000	**$ 6,285,000**
Capital lease obligation - current	-	**143,000**
Deferred revenue - current	4,689,000	**4,470,000**
Total current liabilities	10,327,000	**10,898,000**
Capital lease obligation – less current portion	-	**162,000**
Deferred rent	343,000	**333,000**
Deferred revenue - less current portion	5,869,000	**7,073,000**
	16,539,000	**18,466,000**
Commitments and Contingencies (Note 22)		
STOCKHOLDERS' EQUITY		
Preferred stock; authorized 5,000,000 shares, $0.01 par value; none issued	-	**-**
Common stock; authorized 50,000,000 shares, $0.01 par value; 12,678,000 and 12,831,000 shares issued at December 31, 2012 and September 30, 2013, respectively; shares outstanding, 12,088,000 and 12,195,000 at December 31, 2012 and September 30, 2013, respectively	122,000	**122,000**
Additional paid-in capital	103,135,000	**104,196,000**
Accumulated deficit	(56,102,000)	**(60,507,000)**
Accumulated other comprehensive income (loss)	53,000	**(93,000)**
Treasury stock; 590,000 shares and 636,000 shares at cost at December 31, 2012 and September 30, 2013, respectively	(3,181,000)	**(3,426,000)**
Total stockholders' equity	44,027,000	**40,292,000**
Total liabilities and stockholders' equity	$ 60,566,000	**$ 58,758,000**

*Derived from audited balance sheet as of December 31, 2012

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	**2013**	2012	**2013**
Revenue:				
Products	$ 11,273,000	**$ 6,966,000**	$ 21,745,000	**$ 16,044,000**
Services	4,206,000	**4,239,000**	12,227,000	**12,545,000**
	15,479,000	**11,205,000**	33,972,000	**28,589,000**
Cost of revenue:				
Cost of products	5,385,000	**3,853,000**	11,658,000	**9,552,000**
Cost of services	1,497,000	**1,535,000**	4,221,000	**4,534,000**
	6,882,000	**5,388,000**	15,879,000	**14,086,000**
Gross profit	8,597,000	**5,817,000**	18,093,000	**14,503,000**
Operating expenses:				
Selling, general and administrative expenses	5,467,000	**4,981,000**	16,727,000	**16,092,000**
Research and development expenses	1,098,000	**1,082,000**	3,297,000	**3,345,000**
	6,565,000	**6,063,000**	20,024,000	**19,437,000**
Income (loss) from operations	2,032,000	**(246,000)**	(1,931,000)	**(4,934,000)**
Interest income	116,000	**160,000**	335,000	**484,000**
Other income, net	19,000	**10,000**	50,000	**45,000**
Net income (loss)	$ 2,167,000	**$ (76,000)**	$ (1,546,000)	**$ (4,405,000)**
Net income (loss) per share - basic	$ 0.18	**$ (0.01)**	$ (0.13)	**$ (0.37)**
Net income (loss) per share - diluted	$ 0.18	**$ (0.01)**	$ (0.13)	**$ (0.37)**
Weighted average common shares outstanding - basic	11,768,000	**11,930,000**	11,730,000	**11,886,000**
Weighted average common shares outstanding - diluted	12,141,000	**11,930,000**	11,730,000	**11,886,000**

See accompanying notes to unaudited condensed consolidated financial statements.

I.D. Systems, Inc. and Subsidiaries
Condensed Consolidated Statements of Comprehensive Income (Loss)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	**2013**	2012	**2013**
Net income (loss)	$ 2,167,000	**$ (76,000)**	$ (1,546,000)	**$ (4,405,000)**
Other comprehensive income (loss), net:				
Unrealized gain (loss) on investments	56,000	**21,000**	111,000	**(77,000)**
Foreign currency translation adjustment	63,000	**17,000**	(37,000)	**(69,000)**
Total other comprehensive income (loss)	119,000	**38,000**	74,000	**(146,000)**
Comprehensive income (loss)	$ 2,286,000	**$ (38,000)**	$ (1,472,000)	**$ (4,551,000)**

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Common Stock						
	Number of Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive (Loss) Income	Treasury Stock	Stockholders' Equity
Balance at December 31, 2012	12,678,000	$ 122,000	$ 103,135,000	$ (56,102,000)	$ 53,000	$ (3,181,000)	$ 44,027,000
Net loss for the nine months ended September 30, 2013	-	-	-	(4,405,000)	-	-	(4,405,000)
Unrealized loss on investments	-	-	-	-	(77,000)	-	(77,000)
Foreign currency translation adjustment	-	-	-	-	(69,000)	-	(69,000)
Shares issued pursuant to exercise of stock options	63,000	-	213,000	-	-	-	213,000
Issuance of restricted stock	101,000	-	-	-	-	-	-
Forfeiture of restricted stock	(11,000)						-
Shares withheld pursuant to exercise of stock options and restricted stock	-	-	-	-	-	(245,000)	(245,000)
Stock based compensation - restricted stock	-	-	393,000	-	-	-	393,000
Stock based compensation - options and performance shares	-	-	455,000	-	-	-	455,000
Balance at September 30, 2013 (Unaudited)	12,831,000	$ 122,000	$ 104,196,000	$ (60,507,000)	$ (93,000)	$ (3,426,000)	$ 40,292,000

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Nine Months Ended September 30,	
	2012	2013
Cash flows from operating activities:		
Net loss	$ (1,546,000)	**$ (4,405,000)**
Adjustments to reconcile net loss to cash used in operating activities:		
Bad debt expense	484,000	**284,000**
Proceeds from sale of New Jersey net operating loss carryforwards	390,000	**662,000**
Stock-based compensation expense	865,000	**848,000**
Depreciation and amortization	1,644,000	**1,568,000**
Other non-cash items	19,000	**(10,000)**
Changes in:		
Accounts receivable	147,000	**(898,000)**
Financing receivables	(8,060,000)	**(868,000)**
Inventory	(590,000)	**(62,000)**
Prepaid expenses and other assets	611,000	**(125,000)**
Deferred costs	(1,361,000)	**(95,000)**
Deferred revenue	2,691,000	**985,000**
Accounts payable and accrued expenses	(1,359,000)	**243,000**
Net cash used in operating activities	(6,065,000)	**(1,873,000)**
Cash flows from investing activities:		
Expenditures for fixed assets including website development costs	(238,000)	**(303,000)**
Purchase of investments	(4,252,000)	**(3,680,000)**
Maturities of investments	7,087,000	**8,397,000**
Net cash provided by investing activities	2,597,000	**4,414,000**
Cash flows from financing activities:		
Purchase of treasury shares	(193,000)	**-**
Proceeds from exercise of stock options	101,000	**190,000**
Net cash (used in) provided by financing activities	(92,000)	**190,000**
Effect of foreign exchange rate changes on cash and cash equivalents	(195,000)	**(102,000)**
Net (decrease) increase in cash and cash equivalents	(3,755,000)	**2,629,000**
Cash and cash equivalents - beginning of period	8,386,000	**1,614,000**
Cash and cash equivalents - end of period	$ 4,631,000	**$ 4,243,000**
Supplemental disclosure of cash flow information:		
Cash paid for:		
Taxes	-	**-**
Interest	$ -	**-**
Noncash activities:		
Unrealized gain (loss) on investments	$ 111,000	**$ (77,000)**
Shares withheld pursuant to stock issuance	$ 247,000	**$ 245,000**
Fixed assets acquired by capital lease	$ -	**$ 305,000**
Acquisition of computer equipment included in accounts payable	$ -	**$ 182,000**

See accompanying notes to unaudited condensed consolidated financial statements.

NOTE 1 - DESCRIPTION OF THE COMPANY AND BASIS OF PRESENTATION

Description of the Company

I.D. Systems, Inc. and its subsidiaries (collectively, the “Company,” “we,” “our” or “us”) develop, market and sell wireless solutions for managing and securing high-value enterprise assets. These assets include industrial vehicles, including forklifts, airport ground support equipment, rental vehicles and transportation assets, such as dry van trailers, refrigerated trailers, railcars and containers. The Company’s patented wireless asset management system addresses the needs of organizations to control, track, monitor and analyze their assets. 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.

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

Basis of Presentation

The unaudited interim condensed consolidated financial statements include the accounts of I.D. Systems, Inc. and its wholly owned subsidiaries, Asset Intelligence, LLC (“AI”), I.D. Systems GmbH (“GmbH”) and I.D. Systems (UK) Ltd (formerly Didbox Ltd.) (“Didbox”) (collectively referred to as the “Company”). 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 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, 2013, the consolidated results of its operations for the three- and nine-month periods ended September 30, 2012 and 2013, the consolidated change in stockholders’ equity for the nine-month period ended September 30, 2013 and the consolidated cash flows for the nine-month periods ended September 30, 2012 and 2013. The results of operations for the nine-month period ended September 30, 2013 are not necessarily indicative of the operating results for the full year. These financial statements should be read in conjunction with the audited consolidated financial statements and related disclosures for the year ended December 31, 2012 included in the Company’s Annual Report on Form 10-K for the year then ended.

NOTE 2 - SIGNIFICANT TRANSACTION - AVIS BUDGET GROUP INC.

In connection with the Master Agreement (as defined below), the Company entered into a Purchase Agreement (the “Purchase Agreement”), dated as of August 22, 2011 (the “Effective Date”), with Avis Budget Group, Inc. (“Avis Budget Group”), pursuant to which Avis Budget Group purchased from the Company, for an aggregate purchase price of $4,604,500 (or $4.60 per share, which price was based on the average closing price of our common stock for the twenty trading days prior to the Effective Date), (i) 1,000,000 shares (the “Shares”) of the Company’s common stock, and (ii) a warrant (the “Warrant”) to purchase up to an aggregate of 600,000 shares of our common stock (the “Warrant Shares”). The Company issued the Shares in 2011 from treasury stock, reflecting the cost of such shares on a specific identification basis.

The Warrant has an exercise price of $10.00 per share of common stock. The Warrant is exercisable (i) with respect to 100,000 of the Warrant Shares, at any time after the Effective Date and on or before the fifth (5th) anniversary thereof, and (ii) with respect to 500,000 of the Warrant Shares, at any time on or after the date (if any) on which Avis Budget Car Rental, LLC (“ABCR”), a subsidiary of Avis Budget Group and the Avis entity that is the counterparty under the Master Agreement described below, executes and delivers to the Company SOW#2 (which is described below), and on or before the fifth (5th) anniversary of the Effective Date. The fair value of the Warrant for 100,000 shares of approximately $137,000 was recorded as a sales incentive in the Condensed Consolidated Statement of Operations in the third quarter of 2011. The Company has not recognized the impact of the remaining 500,000 shares underlying the Warrant in the Condensed Consolidated Statement of Operations, as it is considered contingently issued as of September 30, 2013. See Note 11 to the Unaudited Condensed Consolidated Financial Statements for additional information.

Also on the Effective Date, the Company and ABCR entered into a Master Software License, Information Technology Services and Equipment Purchase Agreement (the "Master Agreement") for the Company's system relating to radio frequency identification (RFID) enabled rental car management and virtual location rental (collectively, the "System"). The order was placed pursuant to a statement of work ("SOW") issued under the Master Agreement and related agreements with ABCR.

The Master Agreement governs the terms and conditions of the sales and license, and orders for hardware and for other related services will be contained in SOWs issued pursuant to the Master Agreement. The term of the Master Agreement continues until six (6) months after the termination or expiration of the last SOW under the Master Agreement.

ABCR hosts the System. As part of the Master Agreement, the Company also will provide ABCR with services for ongoing maintenance and support of the System (the "Maintenance Services") for a period of 60 months from installation of the equipment. ABCR has the option to renew the period for twelve (12) months upon its expiry, and then after such 12-month period, the period can continue on a month-to-month basis (during which ABCR can terminate the period) for up to 48 additional months.

Under the terms of SOW#1, which was executed and delivered by ABCR on the Effective Date concurrent with the execution and delivery of the Master Agreement, ABCR has agreed to pay not less than $14,000,000 to the Company for the System and Maintenance Services, which covers 25,000 units, which relates to a limited subset of ABCR's total fleet during this initial phase of the Master Agreement. During the fourth quarter of 2011, the Company delivered the first 5,000 units under SOW#1 and recognized approximately $1.7 million in product revenue and a sales-type lease receivable. The Company delivered the remaining 20,000 units under SOW#1 during the third quarter of 2012 and recognized approximately $6.9 million in product revenue and a sales-type lease receivable.

Under the terms of SOW#1, the Company is entitled to issue sixty (60) monthly invoices of up to $286,100 for the 30,000 units delivered under SOW#1 and a pilot agreement entered into between the Company and ABCR in 2009. In the event that ABCR terminates SOW#1, then ABCR would be liable to the Company for the net present value of all future remaining charges under SOW#1 at a negotiated discount rate per annum, with the payment due on the effective date of termination.

ABCR also has an option to proceed with Statement of Work 2 ("SOW#2"), pursuant to which the Company would sell to ABCR additional units. In the event ABCR purchases such additional units, then ABCR affiliates and franchisees will have the right to enter into agreements with the Company to purchase the System on substantially the same terms and conditions as are in the Master Agreement. The term of SOW#2 is sixty (60) months.

The Master Agreement provided for a period of exclusivity (the "Exclusivity Period") commencing on the Effective Date and ending twelve (12) months after delivery of the 5000th new unit pursuant to SOW#1. The Company and ABCR amended the Master Agreement to extend the Exclusivity Period, which was then scheduled to expire on July 31, 2013, to September 30, 2013. Although the Exclusivity Period expired, the Company and ABCR continue to negotiate for the expansion of the deployment across a larger segment of ABCR's global fleet; however, there can be no assurance that they will enter into a definitive agreement. Should ABCR proceed with SOW#2, the Exclusivity Period would resume on the effective date of SOW#2 (provided that SOW#2 is executed within three (3) months of expiry, unless the Company has already entered into an agreement with another customer to sell the System) for a period of four (4) years. During the Exclusivity Period, the Company will not (i) sell the System to any ABCR Competitor (as defined in the Master Agreement) for the same purpose set forth in the Master Agreement, and/or (ii) market and/or engage in any sales discussions or negotiations regarding any sale of the System with any ABCR Competitor that is prohibited under clause (i) above.

The Master Agreement may be terminated by ABCR for cause (which is generally the Company's material breach of its obligations under the Master Agreement), for convenience (subject to the termination fee detailed in the Master Agreement), upon a material adverse change to the Company (as defined in the Master Agreement), or for intellectual property infringement. The Company does not have the right to unilaterally terminate the Master Agreement. In the event that ABCR terminates SOW#1, then ABCR would be liable to the Company for the net present value of all future remaining charges under SOW#1 at a negotiated discount rate per annum, with the payment due on the effective date of termination.

NOTE 3 - 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 Federal Deposit Insurance Corporation (FDIC) limits.

NOTE 4 - USE OF ESTIMATES

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

NOTE 5 - INVESTMENTS

The Company's investments include debt securities, U.S. Treasury Notes, government and state agency bonds, mutual funds, corporate bonds and commercial paper, which are classified as either available for sale, held to maturity or trading, depending on management's investment intentions relating to these securities. Available for sale securities are measured at fair value based on quoted market values of the securities, with the unrealized gain and (losses) reported as comprehensive income or (loss). For the three- and nine-month periods ended September 30, 2012, the Company reported unrealized gain of $56,000 and $111,000, respectively, and for the three- and nine-month periods ended September 30, 2013, the Company reported unrealized gain (loss) of $21,000 and $(77,000), respectively, on available for sale securities in total comprehensive loss. As of December 31, 2012 and September 30, 2013, all investments were classified as available for sale securities. Realized gains and losses from the sale of available for sale securities are determined on a specific-identification basis. The Company has classified as short-term those securities that mature within one year and mutual funds. All other securities are classified as long-term.

The following table summarizes the estimated fair value of investment securities designated as available for sale, excluding investment in mutual funds of $1,377,000, classified by the contractual maturity date of the security as of September 30, 2013:

	Fair Value
Due within one year	$ 1,869,000
Due one year through three years	5,513,000
Due after three years	305,000
	$ 7,687,000

The cost, gross unrealized gains (losses) and fair value of available for sale securities by major security types as of December 31, 2012 and September 30, 2013 are as follows:

September 30, 2013	**Cost**	**Unrealized Gain**	**Unrealized Loss**	**Fair Value**
Investments - short term				
Available for sale				
U.S. Treasury Notes	$ 861,000	$ 2,000	$ -	$ 863,000
Mutual funds	1,382,000	-	(5,000)	1,377,000
Corporate bonds and commercial paper	710,000	2,000	(1,000)	711,000
Government agency bonds	295,000	-	-	295,000
Total investments - short term	3,248,000	4,000	(6,000)	3,246,000
Marketable securities - long term				
Available for sale				
U.S. Treasury Notes	2,673,000	-	(2,000)	2,671,000
Government agency bonds	1,239,000	-	(6,000)	1,233,000
Corporate bonds and commercial paper	1,908,000	8,000	(2,000)	1,914,000
Total investments - long term	5,820,000	8,000	(10,000)	5,818,000
Total investments	$ 9,068,000	$ 12,000	$ (16,000)	$ 9,064,000

December 31, 2012	**Cost**	**Unrealized Gain**	**Unrealized Loss**	**Fair Value**
Investments - short term				
Available for sale				
Government agency bonds	$ 855,000	$ 1,000	$ -	$ 856,000
Mutual funds	649,000	20,000	-	669,000
Corporate bonds and commercial paper	1,608,000	1,000	(24,000)	1,585,000
U.S. Treasury Notes	1,679,000	5,000	-	1,684,000
Total available for sale - short term	4,791,000	27,000	(24,000)	4,794,000
Investments - long term				
Available for sale				
U.S. Treasury Notes	4,004,000	10,000	-	4,014,000
Government agency bonds	1,336,000	5,000	-	1,341,000
Corporate bonds and commercial paper	3,654,000	55,000	-	3,709,000
Total available for sale - long term	8,994,000	70,000	-	9,064,000
Total investments	$ 13,785,000	$ 97,000	$ (24,000)	$ 13,858,000

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

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

At September 30, 2013, all of the Company's investments are classified as Level 1 for fair value measurements.

NOTE 6 - REVENUE RECOGNITION

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

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

The Company recognizes revenues from the sale of remote transportation asset management systems and spare parts when persuasive evidence of an arrangement exists, delivery has occurred, the price is fixed or determinable, and collectability is reasonably assured. These criteria include requirements that the delivery of future products or services under the arrangement is not required for the delivered items to serve their intended purpose. The Company has determined that the revenue derived from the sale of transportation asset management systems does not have stand-alone value to the customer separate from the communication services provided and, therefore, the arrangements constitute a single unit of accounting. Under the applicable accounting guidance, all of the Company's billings for equipment and the related cost are deferred, recorded, and classified as a current and long-term liability and a current and long-term asset, respectively. Deferred revenue and cost are recognized over the service contract life, beginning at the time that a customer acknowledges acceptance of the equipment and service. The customer service contracts typically range from one to five years. The Company amortized $908,000 and $2,451,000 of deferred equipment revenue during the three- and nine-month periods ended September 30, 2012, respectively, and $815,000 and $2,289,000 during the three- and nine-month periods ended September 30, 2013, respectively.

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

Revenue from remote asset monitoring equipment activation fees is deferred and amortized over the life of the contract.

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

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

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

Sales taxes collected from customers and remitted to governmental authorities are accounted for on a net basis and therefore are excluded from revenues in the Condensed Consolidated Statements of Operations.

Deferred revenue consists of the following:

	December 31, 2012	September 30, 2013
Deferred activation fees	$ 469,000	**$ 511,000**
Deferred industrial equipment installation revenue	291,000	**324,000**
Deferred maintenance revenue	1,478,000	**1,981,000**
Deferred remote transportation asset management product revenue	8,320,000	**8,727,000**
	10,558,000	**11,543,000**
Less: Current portion	4,689,000	**4,470,000**
Deferred revenue - less current portion	$ 5,869,000	**$ 7,073,000**

NOTE 7 - FINANCING RECEIVABLES

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

	December 31, 2012	September 30, 2013
Notes receivable	$ 76,000	**$ 58,000**
Sales-type lease receivable	13,881,000	**14,765,000**
Less: Allowance for credit losses	-	**-**
	13,957,000	**14,823,000**
Less: Current portion		
Notes receivable	23,000	**25,000**
Sales-type lease receivable	3,120,000	**3,991,000**
	3,143,000	**4,016,000**
Financing receivables - less current portion	$ 10,814,000	**$ 10,807,000**

Notes receivable relate to product financing arrangements that exceed one year and bear interest at approximately 8% - 10%. The notes receivable are collateralized by the equipment being financed. Amounts collected on the notes receivable are included in net cash provided by operating activities in the Condensed Consolidated Statements of Cash Flows. Unearned interest income is amortized to interest income over the life of the notes using the effective-interest method. There were no sales of notes receivable during the nine-month periods ended September 30, 2012 and 2013.

The present value of net investment in sales-type lease receivable is principally for three to five-year leases of the Company's products and is reflected net of unearned income of $1,362,000 and $1,230,000 at December 31, 2012 and September 30, 2013, respectively, discounted at 2% - 26%.

The allowance for doubtful accounts is determined on an individual note and lease basis if it is probable that the Company will not collect all principal and interest contractually due. We consider our customers' financial condition and historical payment patterns in determining the customers' probability of default. The impairment is measured based on the present value of expected future cash flows discounted at the note's effective interest rate. There were no impairment losses recognized for the three- and nine-month periods ended September 30, 2012 and 2013.

Scheduled maturities of sales-type lease minimum lease payments outstanding as of September 30, 2013 are as follows:

Year ending December 31:	
October - December 2013	$ 1,007,000
2014	3,940,000
2015	3,711,000
2016	3,482,000
2017	2,254,000
Thereafter	371,000
	14,765,000
Less: Current portion	3,991,000
Sales-type lease receivable - less current portion	$ 10,774,000

NOTE 8 - 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.

Inventories consist of the following:

	December 31, 2012	September 30, 2013
Components	$ 4,386,000	**$ 4,711,000**
Finished goods	3,126,000	**2,863,000**
	$ 7,512,000	**$ 7,574,000**

NOTE 9 - FIXED ASSETS

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

	December 31, 2012	September 30, 2013
Equipment	$ 1,213,000	**$ 1,342,000**
Computer software	3,303,000	**3,310,000**
Computer hardware	1,901,000	**2,539,000**
Furniture and fixtures	370,000	**371,000**
Automobiles	47,000	**47,000**
Leasehold improvements	181,000	**181,000**
	7,015,000	**7,790,000**
Accumulated depreciation and amortization	(4,614,000)	**(5,363,000)**
	$ 2,401,000	**$ 2,427,000**

The Company had expenditures of approximately $472,000 for computer equipment which had not been placed in service as of September 30, 2013. Depreciation expense is not recorded for such assets until they are placed in service.

Depreciation and amortization expense for the three- and nine-month periods ended September 30, 2012 was $ 244,000 and $767,000, respectively, and for the three- and nine-month periods ended September 30, 2013 was $251,000 and $749,000, respectively. This includes amortization of costs associated with computer software and website development for the three- and nine-month periods ended September 30, 2012 of $142,000 and $434,000, respectively, and for the three- and nine-month periods ended September 30, 2013 of $ 142,000 and $425,000, respectively.

The Company capitalizes in fixed assets the costs of software development and website development. Specifically, the assets comprise an implementation of Oracle Enterprise Resource Planning (ERP) software, enhancements to the VeriWise ™ systems, and a customer interface website (which is the primary tool used to provide data to our customers). The website employs updated web architecture and improved functionality and features, including, but not limited to, customization at the customer level, enhanced security features, custom virtual electronic geofencing of landmarks, global positioning system (GPS)-based remote mileage reporting, and richer mapping capabilities. The Company capitalized the costs incurred during the "development" and "enhancement" stages of the software and website development. Costs incurred during the "planning" and "post-implementation/operation" stages of development were expensed. The Company capitalized $69,000 and $7,000 for such projects for the nine-month periods ended September 30, 2012 and 2013, respectively.

NOTE 10 - INTANGIBLE ASSETS AND GOODWILL

The following table summarizes identifiable intangible assets of the Company, which include identifiable intangible assets from the acquisition of Didbox Ltd., PowerKey (the industrial vehicle monitoring products division of International Electronics, Inc. acquired by the Company in 2008) and AI as of December 31, 2012 and September 30, 2013:

September 30, 2013	Useful Lives (In Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortized:				
Patents	11	$ 1,489,000	$ (508,000)	$ 981,000
Tradename	5	200,000	(150,000)	50,000
Non-competition agreement	3	234,000	(234,000)	-
Technology	5	50,000	(39,000)	11,000
Workforce	5	33,000	(26,000)	7,000
Customer relationships	5	4,499,000	(3,376,000)	1,123,000
		6,505,000	(4,333,000)	2,172,000
Unamortized:				
Customer list		104,000	-	104,000
Trademark and Tradename		135,000	-	135,000
		239,000	-	239,000
Total		$ 6,744,000	$ (4,333,000)	$ 2,411,000

December 31, 2012	Useful Lives (In Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortized:				
Patents	11	$ 1,489,000	$ (406,000)	$ 1,083,000
Tradename	5	200,000	(120,000)	80,000
Non-competition agreement	3	234,000	(234,000)	-
Technology	5	50,000	(32,000)	18,000
Workforce	5	33,000	(21,000)	12,000
Customer relationships	5	4,499,000	(2,701,000)	1,798,000
		6,505,000	(3,514,000)	2,991,000
Unamortized:				
Customer list		104,000	-	104,000
Trademark and Tradename		135,000	-	135,000
		239,000	-	239,000
Total		$ 6,744,000	$ (3,514,000)	$ 3,230,000

Amortization expense for the three- and nine-month periods ended September 30, 2012 was $293,000 and $877,000, respectively, and for the three- and nine-month periods ended September 30, 2013 was $273,000 and $819,000, respectively. Future amortization expense for each of the five succeeding fiscal years for these intangible assets is as follows:

Year ending December 31:		
October - December 2013	$	273,000
2014		1,086,000
2015		135,000
2016		135,000
2017		135,000

There have been no changes in the carrying amount of goodwill from January 1, 2013 to September 30, 2013.

NOTE 11 - STOCK-BASED COMPENSATION

Stock Option 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 1995 Stock Option Plan and 1999 Stock and Director Option Plans expired and the Company cannot issue additional options under these plans.

The Company adopted the 2007 Equity Compensation Plan, pursuant to which, as amended, the Company may grant options to purchase up to an aggregate of 2,500,000 shares of common stock. The Company also adopted the 2009 Non-Employee Director Equity Compensation Plan, pursuant to which, as amended, the Company may grant options to purchase up to an aggregate of 600,000 shares of common stock. 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 employee 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 stock-based compensation expense of $155,000 and $457,000, respectively, for the three- and nine-month periods ended September 30, 2012 and $120,000 and $444,000, respectively, for the three- and nine-month periods ended September 30, 2013, in connection with awards made under the stock option plans.

The following table summarizes the activity relating to the Company's stock options for the nine-month period ended September 30, 2013:

	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at beginning of year	2,568,000	$ 7.33		
Granted	367,000	5.63		
Exercised	(63,000)	3.41		
Expired	(25,000)	5.89		
Forfeited	(53,000)	5.13		
Outstanding at end of period	2,794,000	$ 7.24	5 years	$ 2,942,000
Exercisable at end of period	1,925,000	$ 8.19	3 years	$ 2,062,000

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, 2012	September 30, 2013
Expected volatility	44 %	**44.4% - 54.8 %**
Expected life of options	3.0 years	**4.0 - 5.0 years**
Risk free interest rate	1 %	**1 %**
Dividend yield	0 %	**0 %**
Weighted average fair value of options granted during the period	$ 1.81	**$ 2.17**

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

The fair value of options vested during the nine-month periods ended September 30, 2012 and 2013 was $ 566,000 and $537,000, respectively. The total intrinsic value of options exercised during the nine-month periods ended September 30, 2012 and 2013 was $70,000 and $199,000, respectively.

As of September 30, 2013, there was approximately $1,118,000 of unrecognized compensation cost related to non-vested options granted under the Company's stock option plans. That cost is expected to be recognized over a weighted-average period of 2.97 years.

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.

Restricted Stock

In 2006, the Company began granting restricted stock to employees, whereby the employees are contractually restricted from transferring the shares until they are vested. The stock is unvested stock at the time of grant and, upon vesting, there are no contractual restrictions on the stock. The fair value of each share is based on the Company's closing stock price on the date of the grant. A summary of all non-vested restricted stock for the nine-month period ended September 30, 2013 is as follows:

	Non-vested Shares	Weighted-Average Grant Date Fair Value
Restricted stock, non-vested, beginning of year	293,000	$ 3.79
Granted	101,000	5.67
Vested	(165,000)	3.24
Forfeited	(11,000)	4.92
Restricted stock, non-vested, end of period	218,000	$ 5.02

The Company recorded stock-based compensation expense of $124,000 and $383,000, respectively, for the three- and nine-month periods ended September 30, 2012 and $120,000 and $393,000, respectively, for the three- and nine-month periods ended September 30, 2013, in connection with restricted stock grants. As of September 30, 2013, there was $650,000 of total unrecognized compensation cost related to non-vested shares. That cost is expected to be recognized over a weighted-average period of 1.80 years.

Performance Shares

The Company grants performance shares to key employees pursuant to the 2007 Equity Compensation Plan, as amended. The issuance of the shares of the Company's common stock underlying the performance shares is subject to the achievement of stock price targets of the Company's common stock at the end of a three-year measurement period from the date of issuance, with the ability to achieve prorated performance shares during interim annual measurement periods. The annual measurement period is based on a trading day average of the Company's stock after the announcement of annual results. If the stock price performance triggers are not met, the performance shares will not vest and will automatically be returned to the plan. If the stock price performance triggers are met, then the shares will be issued to the employees. Under the applicable accounting guidance, stock compensation expense at the fair value of the shares expected to vest is recorded even if the aforementioned stock price targets are not met. Stock-based compensation expense related to these performance shares for the three- and nine-month periods ended September 30, 2012 and 2013 was insignificant.

The following table summarizes the activity relating to the Company's performance shares for the nine-month period ended September 30, 2013:

	Non-vested Shares
Performance shares, non-vested, beginning of year	134,000
Granted	-
Vested	-
Forfeited	(50,000)
Performance shares, non-vested, end of period	84,000

Warrants

In connection with the Purchase Agreement with Avis Budget Group, Inc. ("Avis Budget Group") entered into on August 22, 2011 (the "Effective Date"), the Company issued and sold to Avis Budget Group a warrant (the "Warrant") to purchase up to an aggregate of 600,000 shares of the Company's common stock (collectively, the "Warrant Shares") at an exercise price of $10.00 per share of common stock. The Warrant is exercisable (i) with respect to 100,000 of the Warrant Shares, at any time after the Effective Date and on or before the fifth (5th) anniversary thereof, and (ii) with respect to 500,000 of the Warrant Shares, at any time on or after the date (if any) on which Avis Budget Car Rental, LLC, a Delaware limited liability company ("ABCR") and the subsidiary of Avis Budget Group that is the counterparty under the Master Agreement (described in Note 2 to the Unaudited Condensed Consolidated Financial Statements), executes and delivers to the Company SOW#2 (as defined in the Master Agreement) and on or before the fifth (5th) anniversary of the Effective Date.

The Warrant may be exercised by means of a "cashless exercise" solely in the event that on the later of (i) the one-year anniversary of the Effective Date and (ii) the date on which the Warrant is exercised by the holder, the Company is eligible to file a registration statement on Form S-3 to register the Warrant Shares for resale by the holder and a re-sale registration statement on Form S-3 registering the Warrant Shares for resale by the holder is not then declared effective by the Securities and Exchange Commission (the "SEC") and available for use by the holder. The Company has agreed to file such a registration statement (on Form S-3 only, or a successor thereto) within 30 days of the holder's request therefor, and to have such registration statement declared effective within 90 days of such request, if there is no review by the Staff of the SEC, and within 120 days, if there has been a review by the Staff of the SEC. As of September 30, 2013, the Company has not yet been requested to file such a registration statement.

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

The Company is required to reserve a sufficient number of shares of common stock for the purpose enabling the Company to issue the Warrant Shares pursuant to any exercise of the Warrants. As of September 30, 2013, the Company has sufficient shares reserved.

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

Shares withheld

During the nine-month periods ended September 30, 2012 and 2013, 51,000 and 46,000 shares, respectively of the Company's common stock were withheld to satisfy minimum tax withholding obligations in connection with the vesting of restricted shares and to pay the exercise price of stock options in the aggregate amount of $247,000 and $245,000, respectively.

NOTE 12 - NET INCOME (LOSS) PER SHARE OF COMMON STOCK

Net income (loss) per share for the three- and nine-month periods ended September 30, 2012 and 2013 are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	**2013**	2012	**2013**
Basic income (loss) per share				
Net income (loss)	$ 2,167,000	**$ (76,000)**	$ (1,546,000)	**$ (4,405,000)**
Weighted-average shares outstanding, basic	11,768,000	**11,930,000**	11,730,000	**11,886,000**
Basic net income (loss) per share	$ 0.18	**$ (0.01)**	$ (0.13)	**$ (0.37)**
Diluted (loss) income per share				
Net income (loss)	$ 2,167,000	**$ (76,000)**	$ (1,546,000)	**$ (4,405,000)**
Weighted-average shares outstanding, basic	11,768,000	**11,930,000**	11,730,000	**11,886,000**
Dilutive effect of stock options and restricted stock	373,000	**-**	-	**-**
Weighted-average shares outstanding, diluted	12,141,000	**11,930,000**	11,730,000	**11,886,000**
Diluted net income (loss) per share	$ 0.18	**$ (0.01)**	$ (0.13)	**$ (0.37)**

Basic loss per share is calculated by dividing net loss by the weighted-average number of common shares outstanding during the period. Diluted loss per share reflects the potential dilution assuming common shares were issued upon the exercise of outstanding options and the proceeds thereof were used to purchase outstanding common shares. Dilutive potential common shares include outstanding stock options, warrants and restricted stock and performance shares awards. For the three- and nine-month periods ended September 30, 2012, 1,953,000 and 3,097,000, respectively, outstanding stock options, warrants and shares of restricted stock and performance shares were excluded from the computation of diluted earnings per share since the effect from the potential exercise of outstanding stock options, warrants and vesting of shares of restricted stock and performance shares would have been anti-dilutive. For the three- and nine-month periods ended September 30, 2013, the basic and diluted weighted-average shares outstanding are the same, since the effect from the potential exercise of outstanding stock options, warrants and vesting of restricted stock and performance shares of 3,197,000 would have been anti-dilutive.

NOTE 13- ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of the following:

	December 31, 2012	September 30, 2013
Accounts payable	$ 3,833,000	**$ 5,292,000**
Accrued warranty	520,000	**462,000**
Accrued severance		**150,000**
Accrued compensation	1,182,000	**252,000**
Other current liabilities	103,000	**129,000**
	$ 5,638,000	**$ 6,285,000**

Included in accounts payable and accrued expenses at September 30, 2013 is accrued severance of $150,000 to the Company's former Chief Operating Officer. The accrued severance is payable in equal monthly installments of approximately $17,000.

The Company's products are warranted against defects in materials and workmanship for a period of 12 months from the date of acceptance of the product by the customer. The customers may purchase an extended warranty providing coverage up to a maximum of 60 months. A provision for estimated future warranty costs is recorded for expected or historical warranty matters related to equipment shipped and is included in accounts payable and accrued expenses in the Condensed Consolidated Balance Sheets as of December 31, 2012 and September 30, 2013.

The following table summarizes warranty activity for the nine-month periods ended September 30, 2012 and 2013:

	Nine Months Ended September 30,	
	2012	**2013**
Accrued warranty reserve, beginning of period	$ 752,000	**$ 520,000**
Accrual for product warranties issued	313,000	**337,000**
Product replacements and other warranty expenditures	(107,000)	**(222,000)**
Expiration of warranties	(252,000)	**(173,000)**
Accrued warranty reserve, end of period	$ 706,000	**$ 462,000**

NOTE 14 – CAPITAL LEASE OBLIGATION

In September 2013 the Company acquired certain computer equipment pursuant to a capital lease agreement. Under the lease agreement, during the term, which expires in September 2015, the Company is required to make monthly payments of approximately $14,000, including interest at an annual rate of 12.82%.

NOTE 15 - 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, 2013, the Company had provided a valuation allowance to fully reserve its net operating loss carryforwards and other items giving rise to deferred tax assets, primarily as a result of anticipated net losses for income tax purposes.

As of December 31, 2012, approximately $9,500,000 of the Company's New Jersey loss carryforwards ("NJ NOLs") had been approved for future sale under a program of the New Jersey Economic Development Authority, which we refer to as the NJEDA. In order to realize these benefits, we must apply to the NJEDA each year and must meet various requirements for continuing eligibility. In addition, the program must continue to be funded by the State of New Jersey, and there are limitations based on the level of participation by other companies. Since specific sales transactions are subject to approval by the NJEDA, we recognize the associated tax benefits in the financial statements as they are approved. As of December 31, 2012, the Company received approval for the sale of approximately $9.5 million of NJ NOLs, subject to a 83.9% seller's allocation factor ($8.0 million, net) for approximately $662,000. As such, the Company reversed the valuation allowance related to these NJ NOLs in 2012. In January 2013, the Company sold NJ tax benefits for approximately $662,000.

NOTE 16 - FAIR VALUE OF FINANCIAL INSTRUMENTS

Cash and cash equivalents and investments in securities are carried at fair value. Financing receivables and capital lease obligation are carried at cost, which is not materially different than fair value. Accounts receivable, accounts payable and other liabilities approximate their fair values due to the short period to maturity of these instruments.

NOTE 17 - CONCENTRATION OF CUSTOMERS

Two customers accounted for 19% and 10% of the Company's revenue during the nine-month period ended September 30, 2013 and 11% and 12% of the Company's accounts receivable as of September 30, 2013. One customer accounted for 56% of finance receivables as of September 30, 2013.

Two customers accounted for 21% and 16% of the Company's revenue during the nine-month period ended September 30, 2012. One customer accounted for 14% of the Company's accounts receivable as of September 30, 2012. One customer accounted for 77% of notes and sales-type lease receivables as of September 30, 2012.

NOTE 18 - STOCK REPURCHASE PROGRAM

On November 3, 2010, the Company's Board of Directors authorized the repurchase of issued and outstanding shares of the Company's common stock having an aggregate value of up to $3,000,000 pursuant to a share repurchase program. The repurchases under the share repurchase program are made from time to time in the open market or in privately negotiated transactions and are funded from the Company's working capital. The amount and timing of such repurchases is dependent upon the price and availability of shares, general market conditions and the availability of cash, as determined at the discretion of the Company's management. All shares of common stock repurchased under the Company's share repurchase program are held as treasury stock. The Company did not purchase any shares of its common stock under the share repurchase program during the nine-month period ended September 30, 2013. As of September 30, 2013, the Company has purchased a total of approximately 310,000 shares of its common stock in open market transactions under the share repurchase program for an aggregate purchase price of approximately $1,340,000, or an average cost of $4.33 per

share.

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

NOTE 19 - ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

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

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

	Foreign currency items	Unrealized gain (losses) on investments	Accumulated other comprehensive income
Balance at January 1, 2013	$ (20,000)	$ 73,000	$ 53,000
Net current period change	(69,000)	(77,000)	(146,000)
Balance at September 30, 2013	$ (89,000)	$ (4,000)	$ (93,000)

Income and expense accounts of foreign operations are translated at actual or weighted-average exchange rates during the period. Assets and liabilities of foreign operations that operate in a local currency environment are translated to U.S. dollars at the exchange rates in effect at the balance sheet date. Translation gains or losses are reported as components of accumulated other comprehensive income/loss in consolidated stockholders' equity.
Net translation gains or losses resulting from the translation of foreign financial statements and the effect of exchange rate changes on intercompany transactions of a long-term investment nature with the GmbH resulted in translation losses of $(37,000) and $(69,000) for the nine-month periods ended September 30, 2012 and 2013, respectively, which is included in comprehensive loss in the Consolidated Statement of Changes in Stockholders' Equity.

NOTE 20 - WHOLLY OWNED FOREIGN SUBSIDIARIES

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

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2012	**2013**	2012	**2013**
Net revenue	$ 170,000	**$ 219,000**	$ 932,000	**$ 938,000**
Net loss	(160,000)	**(112,000)**	(227,000)	**(258,000)**

Total assets of the GmbH were $1,739,000 and $1,607,000 as of December 31, 2012 and September 30, 2013, respectively. The GmbH operates in a local currency environment using the Euro as its functional currency.

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2012	**2013**	2012	**2013**
Net revenue	$ 220,000	**$ 902,000**	$ 992,000	**$ 1,295,000**
Net (loss) income	(120,000)	**336,000**	(7,000)	**165,000**

Total assets of Didbox were $1,291,000 and $2,138,000 as of December 31, 2012 and September 30, 2013, respectively. Didbox operates in a local currency environment using the British Pound as its functional currency.

Gains and losses resulting from foreign currency transactions are included in determining net income or loss. Foreign currency transactions gains (losses) for the three- and nine-month periods ended September 30, 2012 of $(44,000) and $(28,000), respectively, and for the three- and nine-month periods ended September 30, 2013 of $41,000 and $12,000, respectively, are included in selling, general and administrative expenses in the Condensed Consolidated Statement of Operations.

NOTE 21 - RIGHTS AGREEMENT

In July 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 (the "Preferred Stock"). Shareholders of the Preferred Stock, if issued, would be entitled to certain minimum quarterly dividend rights, voting rights, and liquidation preferences.

In connection with the designation of the Preferred Stock, the Company previously entered into a shareholder rights plan (the "Rights Plan"), which was established in July 2009 and had a three-year term that expired in July 2012 and was not renewed following expiration. Under the Rights Plan, the Board of Directors had authorized and declared and paid a dividend of one Right (as defined below) for each share of the Company's common stock outstanding as of July 13, 2009. Each of the Rights, which were registered with the SEC in July 2009, would have entitled the registered holder thereof to purchase from the Company 1/1,000th (subject to prospective anti-dilution adjustments) of a share of Preferred Stock at a purchase price of $19.47 (a "Right").

NOTE 22 - COMMITMENTS AND CONTINGENCIES

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

Contingencies

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

Severance agreements

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 in the severance agreements. As a condition to the Company's obligations under the severance agreements, each executive has executed and delivered to the Company a restrictive covenants agreement.

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

NOTE 23 - RECENT ACCOUNTING PRONOUNCEMENTS

In March 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2013-05, "Foreign Currency Matters (Topic 830): Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity" ("ASU 2013-05"). ASU 2013-05 provides clarification regarding whether Subtopic 810-10, Consolidation - Overall, or Subtopic 830-30, Foreign Currency Matters - Translation of Financial Statements, applies to the release of cumulative translation adjustments into net income when a reporting entity either sells a part or all of its investment in a foreign entity or ceases to have a controlling financial interest in a subsidiary or group of assets that constitute a business within a foreign entity. ASU 2013-05 is effective prospectively for reporting periods beginning after December 15, 2013, with early adoption permitted. The Company's adoption of this guidance is not expected to have a material impact on the Company's financial results.

In February 2013, the FASB issued ASU No. 2013-02, "Comprehensive Income: Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income." This ASU provides additional guidance regarding reclassifications out of accumulated other comprehensive income (or AOCI). The new guidance requires entities to report the effect of significant reclassifications out of AOCI on the respective line items in net income unless the amounts are not reclassified in their entirety to net income. For amounts that are not required to be reclassified in their entirety to net income in the same reporting period, entities are required to cross-reference other disclosures that provide additional detail about those amounts. The provisions of this ASU are effective prospectively for all interim and annual periods beginning after December 15, 2012, with early adoption permitted. The adoption of this guidance did not have a material impact on the Company's financial results.

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

The following discussion and analysis of the consolidated financial condition and results of operations of I.D. Systems, Inc. and its subsidiaries ("I.D. Systems", the "Company", "we", "our" or "us") should be read in conjunction with the consolidated financial statements and notes thereto appearing in Part I, Item 1, of this report. In the following discussions, most percentages and dollar amounts have been rounded to aid presentation, and, accordingly, all amounts are approximations.

Cautionary Note Regarding Forward-Looking Statements

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 "believe", "expect", "estimate", "project", "predict", "forecast", "plan", "anticipate", "target", "outlook", "envision", "intend", "seek", "may", "will", or "should", 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, without limitation, 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, 2012 and other filings with the Securities and Exchange Commission (the "SEC"). Any forward-looking statements should be considered in light of these factors. Unless otherwise required by law, the Company undertakes no obligation, and expressly disclaims any obligation, to update or publicly release the results of 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 Reports 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 the Company's website is not incorporated by reference into this report.

Overview

We develop, market and sell wireless solutions for managing and securing high-value enterprise assets. These assets include industrial vehicles, such as forklifts, airport ground support equipment, rental vehicles, and transportation assets, such as dry van trailers, refrigerated trailers, railcars and containers. Our patented systems utilize radio frequency identification (RFID), Wi-Fi, satellite or cellular communications, and sensor technology to address the needs of organizations to control, track, monitor and analyze their assets. Our solutions enable customers to achieve tangible economic benefits by making timely, informed decisions that increase the safety, security, productivity and efficiency of their operations.

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

In addition to focusing on these core applications, we adapt our systems to meet our customers' broader asset management needs and seek opportunities to expand our solution offerings through strategic acquisitions. The acquisition of Didbox Ltd., a privately held, United Kingdom-based manufacturer and marketer of vehicle operator identification systems, provided us with a wider range of industrial vehicle management solutions and expanded our base of operations in Europe. The acquisition of Asset Intelligence LLC ("Asset Intelligence" or "AI"), which provides trailer, railcar, and container tracking solutions for manufacturers, retailers, shippers and freight transportation providers, complemented the Company's existing businesses, as the focus of Asset Intelligence on trucking, rail, and intermodal applications significantly expanded the scope of assets addressed by the Company's product solutions. The web and mobile communications technologies of Asset Intelligence also complemented I.D. Systems' portfolio of wireless asset management patents and provided the Company with access to a broader base of customers.

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

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

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

We introduced a new data analysis software tool called I.D. Systems Analytics. This cloud-based software provides a single, integrated view of industrial asset activity across multiple locations, generating enterprise-wide benchmarks, peer-industry comparisons, and deeper insights into asset operations. Analytics can enable management to make more informed, effective decisions, raise asset performance standards, increase productivity, reduce costs, and enhance safety. Specifically, I.D. Systems Analytics (1) quantifies best-practice enterprise benchmarks for industrial asset utilization and safety; (2) reveals variations and inefficiencies in asset activity across both sites and geographic regions; (3) identifies opportunities to eliminate or reallocate assets, with full enterprise awareness, to reduce capital and operating costs; (4) helps balance asset mix and inform acquisition decisions; (5) uncovers activity trends over time to forecast asset requirements; and (6) enables performance comparisons to broad, industry-specific benchmarks. We anticipate that Analytics will make a growing contribution to revenue, further differentiate and add value to our solutions, and help keep us at the forefront of the wireless asset management markets we serve.

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

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

Risks to Our Business

During the nine-month period ended September 30, 2013, we generated revenues of $28.6 million, and Wal-Mart Stores, Inc. and the Raymond Corporation accounted for 19% and 10% of our revenues, respectively. During the nine-month period ended September 30, 2012, we generated revenues of $34.0 million, and Avis Budget Group, Inc. and Wal-Mart Stores, Inc. accounted for 21% and 16% of our revenues, respectively.

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

We expect that many customers who utilize our solutions will do so as part of a large-scale deployment of these solutions across multiple or all divisions of their organizations. A customer's decision to deploy our solutions throughout its organization will involve a significant commitment of its resources. Accordingly, initial implementations may precede any decision to deploy our solutions enterprise-wide. Throughout this sales cycle, we may spend considerable time and expense educating and providing information to prospective customers about the benefits of our solutions, and there can be no assurance that our solutions will be deployed on a wider scale by the customer.

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

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.

Additional risks and uncertainties to which we are subject are described under the heading "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2012.

Critical Accounting Policies

For the nine months ended September 30, 2013, there were no significant changes to the Company's critical accounting policies as identified in our Annual Report on Form 10-K for the year ended December 31, 2012.

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,	
	2012	**2013**	2012	**2013**
Revenue:				
Products	72.8 %	**62.2 %**	64.0 %	**56.1 %**
Services	27.2	**37.8**	36.0	**43.9**
	100.0	**100.0**	100.0	**100.0**
Cost of revenues:				
Cost of products	34.8	**34.4**	34.3	**33.4**
Cost of services	9.7	**13.7**	12.4	**15.9**
Total gross profit	55.5	**51.9**	53.3	**50.7**
Operating expenses:				
Selling, general and administrative expenses	35.3	**44.5**	49.2	**56.3**
Research and development expenses	7.1	**9.7**	9.7	**11.7**
	42.4	**54.2**	58.9	**68.0**
Income (loss) from operations	13.1	**(2.3)**	(5.6)	**(17.3)**
Interest income, net	0.7	**1.4**	1.0	**1.7**
Other income	0.1	**0.1**	0.1	**0.2**
Net income (loss)	13.9 %	**(0.8)%**	(4.5)%	**(15.4)%**

Three Months Ended September 30, 2013 Compared to Three Months Ended September 30, 2012

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

	Three Months Ended September 30,	
	2012	**2013**
Product revenue:		
Industrial and rental fleet management	$ 9,758,000	**$ 5,405,000**
Transportation asset management	1,515,000	**1,561,000**
	11,273,000	**6,966,000**
Services revenue:		
Industrial and rental fleet management	1,342,000	**1,347,000**
Transportation asset management	2,864,000	**2,892,000**
	4,206,000	**4,239,000**
	$ 15,479,000	**$ 11,205,000**

REVENUES. Revenues decreased approximately $4.3 million, or 27.6%, to $11.2 million in the three months ended September 30, 2013 from $15.5 million in the same period in 2012. The decrease in revenue is attributable to a decrease in total industrial and rental fleet management revenue of approximately $4.3 million to $6.8 million in 2013 from $11.1 million in 2012 due to a decrease in rental fleet management revenue of approximately $6.7 million from Avis Budget Group, Inc., representing revenue from the delivery of 20,000 units under SOW#1 in 2012 which was partially offset by an increase in industrial fleet management revenue of $2.4 million. Transportation asset management revenue increased approximately $0.1 million to $4.5 million in 2013 from $4.4 million in 2012.

Revenues from products decreased approximately $4.3 million, or 38.2%, to $7.0 million in the three months ended September 30, 2013 from $11.3 million in the same period in 2012. Industrial and rental fleet management product revenue decreased approximately $4.4 million to $5.4 million in 2013 from $9.8 million in 2012. Transportation asset management product increased approximately $0.1 million in the three months ended September 30, 2013 to $1.6 million from $1.5 million in the same period in 2012. The decrease in product revenue resulted principally from a decrease in revenue from Avis Budget Group, Inc. of $7.0 million from the delivery of 20,000 units under SOW#1 in 2012 partially offset by increased product sales of $0.6 million to the Raymond Corporation, $0.8 million to Caterpillar Inc., $0.5 million to Linde Creighton Ltd. and $0.4 million to General Electric Co.

Revenues from services of $4.2 million in the three months ended September 30, 2013 remained generally consistent with 2012 revenue. Industrial and rental fleet management service revenue of approximately $1.3 million in 2013 remained generally consistent with 2012 revenue. Transportation asset management service revenue of approximately $2.9 million in 2013 remained generally consistent with 2012 revenue.

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

	Three Months Ended September 30,	
	2012	**2013**
Cost of products:		
Industrial and rental fleet management	$ 4,038,000	**$ 2,861,000**
Transportation asset management	1,347,000	**992,000**
	5,385,000	**3,853,000**
Cost of services:		
Industrial and rental fleet management	671,000	**709,000**
Transportation asset management	826,000	**826,000**
	1,497,000	**1,535,000**
	$ 6,882,000	**$ 5,388,000**

COST OF REVENUES. Cost of revenues decreased approximately $1.5 million, or 21.7%, to $5.4 million in the three months ended September 30, 2013 from $6.9 million for the same period in 2012. The decrease is principally attributable to a decrease in product revenue. Gross profit was $5.8 million in 2013 compared to $8.6 million in 2012. As a percentage of revenues, gross profit decreased to 51.9% in 2013 from 55.5% in 2012.

Cost of products decreased approximately $1.5 million, or 28.4%, to $3.9 million in the three months ended September 30, 2013 from $5.4 million in the same period in 2012. Gross profit for products was $3.1 million in 2013 compared to $5.9 million in 2012. The industrial and rental fleet management gross profit decreased approximately $3.2 million to $2.5 million in 2013 from $5.7 million in 2012. The transportation asset management gross profit increased approximately $0.4 million to $0.6 million in 2013 from $0.2 million in 2012. As a percentage of product revenues, gross profit decreased to 44.7% in 2013 from 52.2% in 2012. The decrease in gross profit as a percentage of product revenue was due to a decrease in the industrial and rental fleet management gross profit percentage to 47.1% in 2013 from 58.6% in 2012, partially offset by an increase in the transportation asset management product revenue gross profit percentage to 36.5% in 2013 from 11.1% in 2012. The decrease in the industrial and rental fleet management gross profit percentage was primarily due to a decrease in revenues generated from products that have a higher gross margin sold to a customer in 2012, and an increase in revenue generated from products sold to channel partners, which have a lower gross margin, in 2013. The increase in the transportation asset management product revenue gross profit percentage was primarily due to a reduction of expedited shipping costs incurred in 2012.

Cost of services of $1.5 million in the three months ended September 30, 2013 remained generally consistent with cost of services in the same period in 2012. Gross profit for services of $2.7 million in 2013 remained generally consistent with the 2012 gross profit. The industrial and rental fleet management gross profit decreased approximately $0.1 million to $0.6 million in 2013 from $0.7 million in 2012. The transportation asset management gross profit increased approximately $0.1 to $2.1 million in 2013 from $2.0 million in 2012. As a percentage of service revenues, gross profit decreased to 63.8% in 2013 from 64.4% in 2012. The decrease in gross profit as a percentage of service revenue was due to a decrease in the industrial and rental fleet management gross profit percentage to 47.4% in 2013 from 50.0% in 2012, partially offset by an increase in the transportation asset management gross profit percentage to 71.4% in 2013 from 71.2% in 2012. The decrease in the industrial and rental fleet management gross profit margin was principally due to an increase in communication expenses from cellular overage charges incurred due to an increase in the amount of cellular data used in 2013.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses decreased by approximately $0.5 million, or 8.9%, to $5.0 million in the three months ended September 30, 2013 compared to $5.5 million in the same period in 2012. The decrease was due primarily to a decrease of approximately $0.4 million in bonus and commission expense due to lower revenue. As a percentage of revenues, selling, general and administrative expenses increased to 44.5% in the three months ended September 30, 2013 from 35.3% in the same period in 2012, primarily due to the decrease in revenues in 2013.

RESEARCH AND DEVELOPMENT EXPENSES. Research and development expenses of approximately $1.1 million in the three months ended September 30, 2013 remained consistent with research and development expenses in the same period in 2012. As a percentage of revenues, research and development expenses increased to 9.7% in the three months ended September 30, 2013 from 7.1% in the same period in 2012, primarily due to the decrease in revenues in 2013.

INTEREST INCOME. Interest income increased by $44,000, or 37.9%, to $160,000 in the three months ended September 30, 2013 from $116,000 in the same period in 2012. This increase was attributable primarily to increased interest income from notes and lease receivables.

NET LOSS. Net loss was $0.08 million, or $(0.01) per basic and diluted share, for the three months ended September 30, 2013 as compared to net income of $2.2 million, or $0.18 per basic and diluted share, for the same period in 2012. The increase in the net loss was due primarily to the reasons described above.

Nine Months Ended September 30, 2013 Compared to Nine Months Ended September 30, 2012

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

	Nine Months Ended September 30,	
	2012	**2013**
Product revenue:		
Industrial and rental fleet management	$ 17,237,000	**$ 11,527,000**
Transportation asset management	4,508,000	**4,517,000**
	21,745,000	**16,044,000**
Services revenue:		
Industrial and rental fleet management	3,577,000	**3,953,000**
Transportation asset management	8,650,000	**8,592,000**
	12,227,000	**12,545,000**
	$ 33,972,000	**$ 28,589,000**

REVENUES. Revenues decreased approximately $5.4 million, or 15.8%, to $28.6 million in the nine months ended September 30, 2013 from $34.0 million in the same period in 2012. The decrease in revenue is attributable to a decrease in total industrial and rental fleet management revenue of approximately $5.3 million to $15.5 million in 2013 from $20.8 million in 2012 due to a decrease in rental fleet management revenue of approximately $6.2 million from Avis Budget Group, Inc., representing revenue from the delivery of 20,000 units under SOW#1 in 2012 which was partially offset by an increase in industrial fleet management revenue of $0.9 million. Transportation asset management revenue decreased approximately $0.1 million to $13.1 million in 2013 from $13.2 million in 2012.

Revenues from products decreased approximately $5.7 million, or 26.2%, to $16.0 million in the nine months ended September 30, 2013 from $21.7 million in the same period in 2012. Industrial and rental fleet management product revenue decreased by approximately $5.7 million to $11.5 million in 2013 from $17.2 million in 2012. Transportation asset management product revenue of approximately $4.5 in 2013 remained generally consistent with 2012 revenue. The decrease in product revenue resulted principally from a decrease in revenue from Avis Budget Group, Inc. of $7.0 million from the delivery of 20,000 units under SOW#1 in 2012, partially offset by increased product sales of $1.5 million to the Raymond Corporation, $0.8 million to Caterpillar Inc. and $0.5 million to Linde Creighton Ltd.

Revenues from services increased approximately $0.3 million, or 2.6%, to $12.5 million in the nine months ended September 30, 2013 from $12.2 million in the same period in 2012. Industrial and rental fleet management service revenue increased approximately $0.4 million to $4.0 million in 2013 from $3.6 million in 2012 principally due to an increase in revenue from Avis Budget Group, Inc. from services related to the units under SOW#1. Transportation asset management service revenue decreased approximately $0.1 million to $8.6 million in 2013 from $8.7 million 2012.

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

	Nine Months Ended September 30,	
	2012	**2013**
Cost of products:		
Industrial and rental fleet management	$ 7,841,000	**$ 6,358,000**
Transportation asset management	3,817,000	**3,194,000**
	11,658,000	**9,552,000**
Cost of services:		
Industrial and rental fleet management	1,621,000	**1,970,000**
Transportation asset management	2,600,000	**2,564,000**
	4,221,000	**4,534,000**
	$ 15,879,000	**$ 14,086,000**

COST OF REVENUES. Cost of revenues decreased by $1.8 million, or 11.3%, to $14.1 million in the nine months ended September 30, 2013 from $15.9 million for the same period in 2012. The decrease is principally attributable to a decrease in product revenue in 2013. Gross profit was $14.5 million in 2013 compared to $18.1 million in 2012. As a percentage of revenues, gross profit decreased to 50.7% in 2013 from 53.3% in 2012.

Cost of products decreased by $2.1 million, or 18.1%, to $9.6 million in the nine months ended September 30, 2013 from $11.7 million in the same period in 2012. Gross profit for products was $6.5 million in 2013 compared to $10.1 million in 2012. The decrease in gross profit was attributable to a $4.2 million decrease in the industrial and rental fleet management gross profit to $5.2 million in 2013 from $9.4 million in 2012, partially offset by a $0.6 million increase in the transportation asset management gross profit to $1.3 million in 2013 from $0.7 million in 2012. As a percentage of product revenues, gross profit decreased to 40.5% in 2013 from 46.4% in 2012. The decrease in gross profit as a percentage of product revenue was due to a decrease in the industrial and rental fleet management gross profit percentage to 44.8% in 2013 from 54.5% in 2012, which was primarily due to a decrease in revenues generated from products that have a higher gross margin sold to a customer in 2012, and an increase in revenue generated from products sold to channel partners, which have a lower gross margin, in 2013. This decrease in the industrial and rental fleet management gross profit margin was partially offset by an increase in the transportation asset management product revenue gross profit percentage to 29.3% in 2013 from 15.3% in 2012, which was principally due to a reduction of expedited shipping costs incurred in 2012.

Cost of services increased by $0.3 million, or 7.4%, to $4.5 million in the nine months ended September 30, 2013 from $4.2 million in the same period in 2012. Gross profit for services of approximately $8.0 million in 2013 remained generally consistent with the 2012 gross profit. The industrial and rental fleet management gross profit of approximately $2.0 million in 2013 remained consistent with the 2012 gross profit. The transportation asset management gross profit of approximately $6.0 million in 2013 remained consistent with the 2012 gross profit of $6.1 million. As a percentage of service revenues, gross profit decreased to 63.9% in 2013 from 65.5% in 2012. The decrease in gross profit as a percentage of service revenue was due to a decrease in the industrial and rental fleet management gross profit percentage to 50.2% in 2013 from 54.7% in 2012. The transportation asset management gross profit percentage of 70.2% in 2013 remained relatively consistent with the gross profit percentage of 69.9% in 2012. The decrease in the industrial and rental fleet management gross profit margin was principally due to an increase in communication expenses from cellular overage charges incurred due to an increase in the amount of cellular data used in 2013.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses decreased by approximately $0.6 million, or 3.8%, to $16.1 million in the nine months ended September 30, 2013 compared to $16.7 million in the same period in 2012. The decrease was due primarily to a decrease of approximately $0.7 million in bonus and commission expense due to lower revenue. As a percentage of revenues, selling, general and administrative expenses increased to 56.3% in the nine months ended September 30, 2013 from 49.2% in the same period in 2012, primarily due to the decrease in revenues in 2013.

RESEARCH AND DEVELOPMENT EXPENSES. Research and development expenses of approximately $3.3 million in the nine months ended September 30, 2013 remained consistent with research and development expenses in the same period in 2012. A decrease in payroll-related and stock-based compensation expense of $0.4 million due to a decrease in the number of employees was principally offset by an increase in new product development expenses of approximately $0.4 million, principally for the development of our next generation industrial fleet management and intermodal container products and enhancements to our satellite transportation product and customer interfaces. As a percentage of revenues, research and development expenses increased to 11.7% in the nine months ended September 30, 2013 from 9.7% in the same period in 2012, primarily due to the decrease in revenues in 2013.

INTEREST INCOME. Interest income increased by $149,000, or 44.5%, to $484,000 in the nine months ended September 30, 2013 from $335,000 in the same period in 2012. This increase was attributable primarily to increased interest income from notes and lease receivables.

NET LOSS. Net loss was $4.4 million, or $(0.37) per basic and diluted share, for the nine months ended September 30, 2013 as compared to net loss of $1.5 million, or $(0.13) per basic and diluted share, for the same period in 2012. The increase in the net loss was due primarily to the reasons described above.

Capital Requirements

We believe that with the cash and investments on hand, we will have sufficient funds available to cover our working capital requirements for at least the next 12 months.

Our capital requirements depend on a variety of factors, including, but not limited to, the length of the sales cycle, the rate of increase or decrease in our existing business base, the success, timing, and amount of investment required to bring new products to market, revenue growth or decline and potential acquisitions. Failure to generate positive cash flow from operations will have a material adverse effect on our business, financial condition and results of operations. We may determine in the future that we require additional funds to meet our long-term strategic objectives, including for the completion of potential acquisitions. Any additional equity financing may be dilutive to stockholders, and debt financing, if available, may involve significant restrictive covenants, and we cannot assure you that such financing will be extended on terms acceptable to us, or at all.

Operating Activities

Net cash used in operating activities was $1.9 million for the nine-month period ended September 30, 2013, compared to net cash used in operating activities of $6.1 million for the same period in 2012. The net cash used in operating activities for the nine-month period ended September 30, 2013 reflects a net loss of $4.4 million and includes non-cash charges of $0.8 million for stock-based compensation and $1.6 million for depreciation and amortization expense. Changes in working capital items included:

- proceeds of $0.7 million from the sale of NJ NOLs;

- an increase in accounts receivable of $0.9 million;

- an increase in finance receivables of $0.9 million;

- an increase in deferred revenue of $1.0 million; and

- an increase in accounts payable and accrued expenses of $0.2 million, primarily due to the timing of payments to our vendors and accrued compensation.

Investing Activities

Net cash provided by investing activities was $4.4 million for nine-month period ended September 30, 2013, compared to net cash provided by investing activities of $2.6 million for the same period in 2012. The change from the same period in 2012 was primarily due to an increase in net maturities of investments of $1.9 million in 2013 from 2012.

Financing Activities

Net cash provided by financing activities was $0.2 for the nine-month period ended September 30, 2013 compared to net cash used in financing activities of $0.1 million for the same period in 2012. The change from the same period in 2012 was primarily due to $0.2 million used for the repurchase of shares under our share repurchase program in 2012.

Liquidity and Capital Resources

Historically, except for our line of credit borrowing of $12.9 million in the first quarter of 2009 (which was repaid in full in July 2010), our capital requirements have been funded primarily from the net proceeds from the issuance of our securities, including any issuances of our common stock upon the exercise of options. In addition, on August 22, 2011, we received approximately $4.6 million from Avis Budget Group from the sale of 1,000,000 shares of the Company's common stock, and a warrant to purchase up to 600,000 shares of our common stock. The warrant is immediately exercisable with respect to 100,000 shares and will become exercisable for the remaining 500,000 shares upon execution of SOW#2 under the Master Agreement entered into by the Company and Avis Budget Car Rental, LLC, a subsidiary of Avis Budget Group, Inc. As of September 30, 2013, we had cash, cash equivalents and marketable securities of $13.6 million and working capital of $21.0 million, compared to cash, cash equivalents and marketable securities of $15.8 million and working capital of $19.9 million as of December 31, 2012.

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

On September 30, 2013, the Company entered into an equipment lease for computer equipment. The lease is payable in 24 monthly installments of approximately $14,000, including interest at an annual rate of 12.82%. The term of the lease commenced in September 2013 and expires in September 2015. The Company has the option to purchase the equipment for $1.00 at the end of the term of the lease.

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, 2013, there have been no material changes in contractual obligations as disclosed under the caption "Contractual Obligations and Commitments" in Item 7 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2012, except as noted below.

On September 30, 2013, the Company entered into an equipment lease for computer equipment. The lease is payable in 24 monthly installments of approximately $14,000, including interest at an annual rate of 12.82%. The term of the lease commenced in September 2013 and expires in September 2015. The Company has the option to purchase the equipment for $1.00 at the end of the term of the lease.

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

The Company is subject to recently issued accounting standards, accounting guidance and disclosure requirements. For a description of these new accounting standards, see Note 23 (entitled "RECENT ACCOUNTING PRONOUNCEMENTS") of the Notes to our Unaudited Condensed Consolidated Financial Statements contained in Item 1 of Part I of this Quarterly Report on Form 10-Q, which is incorporated herein by reference.

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, 2013, we had cash, cash equivalents and marketable securities of $13.6 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, 2013, 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 funds 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 deteriorate.

Item 4. Controls and Procedures

a. Disclosure controls and procedures.

During the quarter ended September 30, 2013, 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 ("SEC"). 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 SEC'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, 2013, 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, 2013 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 SEC 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 control over financial reporting.

We reviewed our internal control over financial reporting at September 30, 2013. There have been no changes in our internal control over financial reporting that occurred during the quarter ended September 30, 2013 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

In the ordinary course of its business, the Company is at times subject to various legal proceedings. As of November 14, 2013, the Company was not a party to any material legal proceedings.

Additional information on the Company's commitments and contingencies can be found in the Company's Annual Report on Form 10-K for the year ended December 31, 2012.

Item 1A. Risk Factors

In addition to the other information set forth under the heading "Risks to Our Business" in Part 1, Item 2 of this report, you should carefully consider the factors discussed in Part I, Item 1A. "Risk Factors," in the Company's Annual Report on Form 10-K for the year ended December 31, 2012, as such factors could materially affect the Company's business, financial condition, and future results. In the three months ended September 30, 2013, there were no material changes to the risk factors disclosed in the Company's Annual Report on Form 10-K. The risks described in the Annual Report on Form 10-K are not the only risks that the Company faces. Additional risks and uncertainties not currently known to the Company, or that the Company currently deems to be immaterial, also may have a material adverse impact on the Company's business, financial condition, or results of operations.

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

Purchases of Equity Securities by the Issuer

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

The following table provides information regarding our common stock repurchases under our publicly announced share repurchase program and shares withheld for taxes due upon vesting of restricted stock for each month of the quarterly period ended September 30, 2013. As the table indicates, the Company did not make any share repurchases during the quarterly period ended September 30, 2013.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
July 1, 2013 - July 31, 2013	8,000 (1)	$ 5.15	-	$ 1,660,000
August 1, 2013 - August 31, 2013	-	-	-	1,660,000
September 1, 2013 - September 30, 2013	-	-	-	1,660,000
Total	8,000 (1)	$ 5.15	-	$ 1,660,000

(1) Includes 8,000 shares of common stock withheld for taxes due upon vesting of restricted stock awards during July 2013.

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

Item 6. Exhibits

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

Exhibits:

Exhibit Number	Description
10.1	Separation and General Release Agreement, dated as of July 19, 2013, between I.D. Systems, Inc. and Darryl Miller.
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 18 U.S.C. §1305 pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

* Furnished herewith.

Signatures

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

		I.D. SYSTEMS, INC.
Date: November 14, 2013	By:	/s/ Jeffrey M. Jagid Jeffrey M. Jagid Chief Executive Officer (Principal Executive Officer)
Date: November 14, 2013	By:	/s/ Ned Mavrommatis Ned Mavrommatis Chief Financial Officer (Principal Financial Officer)

INDEX TO EXHIBITS

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* Furnished herewith.

Exhibit 10.1

SEPARATION AND GENERAL RELEASE AGREEMENT

THIS SEPARATION AND GENERAL RELEASE AGREEMENT (this " Agreement") is entered into between Darryl Miller, an individual with an address at 7625 Blackhall, The Colony, Texas 75056 ("Employee"), and I.D. Systems, Inc., with a headquarters address 123 Tice Boulevard, Suite 101, Woodcliff Lake, NJ 07677 ("Company" and, 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, the "Released Parties").

WHEREAS, Employee was employed by Company from on or about January 7, 2010 until his employment was terminated on November 27, 2012 (the "Separation Date"); and

WHEREAS, Company contended that it had grounds to terminate Employee's employment for Cause (as that term is defined in that certain Severance Agreement between the parties dated as of December 14, 2010 (the "Severance Agreement")) and Employee disputed the Company's contention that there was Cause; and

WHEREAS, during his employment and for an extended time period thereafter (as set forth below) Employee agreed to be bound by that certain Confidentiality, Assignment of Contributions and Inventions, Non-Competition and Non-Solicitation Agreement he signed on or about December 14, 2010 (the "Covenants Agreement").

NOW, THEREFORE, as and material consideration for Employee's execution of this Agreement and for him not challenging the restrictive covenants in the Covenants Agreement as legally unenforceable and agreeing to extend the definition of the Restricted Period as defined in the Covenants Agreement, and in consideration of the premises, mutual covenants and agreements described herein and for other good and valuable consideration acknowledged by each of the parties to be satisfactory and adequate, the parties, intending to be legally bound hereby, agree as follows:

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

2 . Employee Release of Released Parties. In consideration of the payments and benefits set forth below in Section 4, Employee hereby releases, waives, discharges and gives up any and all Claims (as defined below) that Employee may have against the Released Parties, arising on or prior to the date hereof. "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, bonuses, severance pay, commissions, draw, bonuses, unvested stock options, vacation pay, sick pay, fees and costs, unreimbursed expenses, legal 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 (including but not limited to the Severance Agreement), understanding, common law, tort, the laws, statutes, and/or regulations of the States of New Jersey, Texas, or any other state and the United States, including, but not limited to, federal and state wage and hour laws, federal and state whistleblower laws, Section 1981 of the Civil Rights Act of 1866, 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, the Vietnam Era Veterans Readjustment Assistance Act, the Fair Credit Reporting Act, the Fair Labor Standards Act, the Age Discrimination in Employment Act ("ADEA"), OSHA, the Sarbanes-Oxley Act of 2002, the Lily Ledbetter Act, the New Jersey Law Against Discrimination, the New Jersey Family Leave Act, the New Jersey Civil Rights Act, the Conscientious Employee Protection Act, and the Texas Human Rights 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 Agreement releases all Claims including those of which Employee is not aware and those not mentioned in this Agreement up to the date of the execution and delivery of this Agreement to Company. Employee specifically releases any and all Claims arising out of Employee's employment with Company and separation therefrom. Employee expressly acknowledges and agrees that, by entering into this Agreement, Employee is releasing and waiving any and all Claims which may have arisen on or before the date of Employee's execution and delivery of this Agreement to Company, including claims under ADEA.

3 . Representations; Covenant Not to Sue. Employee hereby represents and warrants to the Released Parties that: (a) Employee has not filed or caused or permitted to be filed any proceeding or Claim (nor has Employee lodged a complaint with any governmental or quasi-governmental authority) against the Released Parties, nor has Employee agreed to do any of the foregoing; (b) Employee has not assigned, transferred, sold, encumbered, pledged, hypothecated, mortgaged, distributed, or otherwise disposed of or conveyed to any third party any right or Claim against the Released Parties that has been released in this Agreement; and (c) Employee has not, directly or indirectly, assisted any third party in filing or causing or assisting to be filed any proceeding or Claim against 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 himself or any third party of a proceeding or Claim against any of the Released Parties.

4 . Consideration. As good consideration for Employee's execution, delivery, and non-revocation of this Agreement and full compliance with the terms hereof, Company shall provide Employee with the following:

(a) payment of $200,000 (less applicable withholdings and deductions) in twelve equal monthly installments commencing on the next regularly scheduled paydate following the Effective Date (defined below) and payable on the last business day of each month thereafter;

(b) reimbursement of expenses totaling $500.89 together with payment of $11,423.00 representing all unused accrued vacation days, payable on the next regularly scheduled paydate following the Effective Date;

(c) a pro rata portion of the Restricted Shares awarded to Employee pursuant to Restricted Stock Award Agreements between Employee and the Company dated February 5, 2010, March 30, 2011 and March 29, 2012, respectively, as identified on Exhibit A hereto under the column "*Number of Restricted Shares To Be Vested Upon Effective Date*", will be deemed to have vested as of the Effective Date (the "Vested Restricted Shares"). Employee shall sell the Vested Restricted Shares only during the thirty (30) day period (the "VRS Sale Period") beginning on the date of delivery of the Vested Restricted Shares to Employee, which Vested Restricted Shares shall be delivered, within three (3) business days following the Effective Date (and, for the avoidance of doubt, only if the Agreement has not been revoked in accordance with Section 12(b) of this Agreement), in electronic form via book entry transfer to the account maintained by the Employee's broker at Depository Trust Company as set forth on Schedule 4.6(c) attached hereto. The Employee may not sell the Vested Restricted Shares following the VRS Sale Period, and any Vested Restricted Shares not sold upon the expiration of the VRS Sale Period shall automatically, and without any further action of the Company, be forfeited. Employee shall (y) notify the Company and the Escrow Agent (as defined below), in writing, of the sale of the Vested Restricted Shares, together with a detailed accounting thereof, on a weekly basis (with such notice and accounting for any sales made during any week (i.e. a period of Monday through Friday) to be delivered to the Company and the Escrow Agent by no later than 5:00 p.m. New York time on Tuesday of the next week) and (z) deliver to Lowenstein Sandler LLP (the "Escrow Agent") the proceeds from the sale of the Vested Restricted Shares (the "Escrowed Restricted Stock Proceeds") on a weekly basis (with the proceeds from the sale of any Vested Restricted Shares for the prior week to be delivered to the Escrow Agent no later than Tuesday of the next week); provided, however, the Employee may use the proceeds from the sale of the Vested Restricted Shares to pay the exercise price for some or all of the Vested Options (as defined in Section 4(d) below) in accordance with Section 4(d) below, in which case, Employee shall, within the time period following the sale of the Vested Restricted Shares provided in clauses (y) and (z) of the immediately preceding sentence, (A) notify the Company, in writing, as to all or the portion of such proceeds which shall be applied on account of the option exercise (which Vested Options shall be exercised solely in accordance with Section 4(d) below) and (B) instead deliver such proceeds to the Company on account of, and to be applied against, the option exercise. Except as set forth herein, all other Restricted Shares previously awarded to Employee which have not, as of the Separation Date, vested are forfeited.

(d) a pro rata portion of the Options granted to Employee pursuant to Stock Option Grant Agreements between Employee and the Company dated February 5, 2010, March 30, 2011 and March 29, 2012, respectively, as identified on Exhibit A hereto under the column "*Number of Shares With Respect to Which Option may be Exercised"* (the "Vested Options"), may be exercised only during the VRS Sale Period or the VO Sale Period (as defined below), and the shares of Common Stock issuable upon exercise thereof (the "Underlying Vested Option Shares") may be sold only during the thirty (30) day period following the expiration of the VRS Sale Period (the "VO Sale Period"). Employee may not exercise the Vested Options after the expiration of the VO Sale Period and may only sell the Underlying Vested Option Shares during the VO Sale Period, and any unexercised Vested Options or Underlying Vested Option Shares outstanding upon the expiration of the VO Sale Period shall automatically, and without any further action of the Company, be forfeited. All other Options previously granted to Employee which have not, as of the Separation Date, vested are hereby forfeited by Employee. Employee shall be responsible for paying the full exercise price to the Company, in cash, in connection with any exercise by Employee of the Vested Options. As specified in Section 4(c) above, Employee may use the proceeds from the sale of the Vested Restricted Shares to pay the exercise price for some or all of the Vested Options (the proceeds from the sale of the Vested Restricted Shares that the Employee uses to pay the exercise price of the Vested Options are referred to herein as the "VRS Option Proceeds"). To the extent any additional funds are needed for Employee to pay the full exercise price for the Vested Options being exercised by Employee, Employee shall be responsible for paying such additional amounts to the Company in order to complete the exercise of the Vested Options. By no later than Tuesday of the week immediately following which any Underlying Vested Option Shares were sold by the Employee, Employee shall (y) notify the Company and the Escrow Agent, in writing, of the sale of the Underlying Vested Option Shares for such week, together with a detailed accounting thereof and (z) deliver to the Escrow Agent an amount equal to (the "Escrowed Option Proceeds" and together with the "Escrowed Restricted Stock Proceeds", the "Escrowed Funds") the sum of (1) the proceeds from the sale of the Underlying Vested Option Shares during such week less the exercise price for such Underlying Vested Option Shares sold by the Employee during such week, plus (2) an amount equal to the VRS Option Proceeds.

The terms and conditions of the escrow agreement regarding the Escrowed Funds and the escrow arrangement with the Escrow Agent are set forth on Exhibit B attached hereto, which Exhibit B is fully incorporated herein by reference. The Escrow Agent is an express third party beneficiary of Exhibit B. The Company shall have the power and the right to deduct (including from the Escrowed Funds) or withhold, or require the Employee to remit to the Company, an amount sufficient to satisfy any federal, state, local and foreign taxes of any kind (including, but not limited to, the Employee's FICA and SDI obligations) which the Company, in its sole discretion, deems necessary to be withheld or remitted to comply with the Internal Revenue Code of 1986, as amended, or any other applicable law, rule or regulation with respect to the Vested Restricted Shares and Vested Options and, if the Employee fails to do so, the Company may otherwise refuse to issue or transfer any shares of Common Stock otherwise required to be issued pursuant to this Agreement.

Except to the extent provided above, the Restricted Stock Award Agreements and Stock Option Grant Agreements referenced in paragraphs (c) and (d) above shall remain in full force and effect.

Employee acknowledges that Employee is not otherwise entitled to receive the payments and benefits set forth in this Section 4 and acknowledges that nothing in this Agreement shall be deemed to be an admission of liability or wrongdoing on the part of Company. Employee agrees that Employee will not seek anything further from the Released Parties.

Employee acknowledges that (i) the Company may, at any at any time prior to the expiration of the VRS or VO Sale Period, as applicable, release information pertaining to the Company and its business (including its earnings) that may have a negative impact on the share price of the Company's Common Stock ("Company Released Information") and, as a result, may negatively impact the purchase price that the Employee is able to obtain from the sale of any of the Vested Restricted Shares or Vested Underlying Option Shares and (ii) the purchase price from any sale of the Vested Restricted Shares and/or Vested Underlying Option Shares may be limited by the fact that such sales are required to occur during the VRS or VO Sale Period, as applicable. Employee hereby irrevocably waives any and all actions, causes of action, rights or claims, whether known or unknown, contingent or matured, and whether currently existing or hereafter arising, that Employee may have or hereafter acquire against the Released Parties in any way, directly or indirectly, arising out of, relating to or resulting from Employee's sale of the Vested Restricted Shares and the exercise of any Vested Options and the sale of any Vested Underlying Option Shares, including, without limitation, claims (i) relating to the Company's disclosure of any Company Released Information and the impact of such disclosure on the purchase price Employee is able to obtain from the sale of the Vested Restricted Shares and Vested Underlying Option Shares during the VRS or VO Sale Period, as applicable, (ii) relating to the limited time period during which Employee may sell the Vested Restricted Shares and exercise and sell the Vested Underlying Option Shares, (iii) the escrow of the Escrowed Funds in accordance with the terms of this Agreement and Exhibit B and (iv) relating to the market price of the Company's Common Stock and the purchase price from the sale of the Vested Restricted Shares and the Vested Underlying Option Shares. Employee intends to effect, to the maximum extent permitted by law, a complete and knowing waiver of Employee's rights as set forth in this paragraph.

5. Who is Bound. Company 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 Company's rights and responsibilities, such as its successors and assigns, is also bound, by this Agreement.

6. Cooperation. Employee agrees, upon Company's request, to reasonably cooperate in any Company investigation, litigation, arbitration, or regulatory proceeding regarding events that occurred during Employee's tenure with Company. Employee will make himself reasonably available to consult with Company representatives, including its counsel, to provide information, and to appear to give testimony. To the extent permitted by law, Company will reimburse Employee for reasonable out-of-pocket expenses Employee incurs in extending such cooperation, so long as Employee provides Company with satisfactory documentation of the expenses.

7. Non Disparagement; Confidentiality; Covenants Agreement.

(a) Employee agrees not to make any defamatory or derogatory statements concerning the Released Parties. Provided that inquiries are directed to Company's Human Resources Department, Company shall disclose to prospective employers information limited to Employee's dates of employment and last position with the Company (or its affiliate) 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 Company or its clients (or any such information regarding any predecessor entity previously operating Company's business); provided, however, that Employee's obligations under this Section 7 shall not apply to information generally known in Company's industry through no fault of Employee or the disclosure of which is required by applicable law.

(b) Employee represents and warrants that to date he has complied with the Covenants Agreement. Employee further agrees as good and valuable consideration for the payments and benefits set forth in Section 4 of this Agreement to modify the definition of "Restricted Period" contained in section 5 of the Covenants Agreement from twelve (12) months to eighteen (18) months. All terms and conditions of the Covenants Agreement shall remain in full force and effect as modified herein.

(c) Employee represents and warrants that he currently is employed with Amazon.com, Inc. and that such employment does not conflict with his obligations under the Covenants Agreement.

8. Remedies; Dispute Resolution.

(a) If the Company determines in its sole judgment and discretion that Employee is in breach of this Agreement or the Covenants Agreement (as modified herein), then in addition to and not instead of the Released Parties' other remedies hereunder or otherwise at law or equity, Company shall have the right, upon written notice to Employee and his counsel (c/o Scott Jacobson, Esq, Archer & Greiner) (a "Breach Notice"), to cease making any further payments to Employee under Sections 4(a) and (b) of this Agreement. This Agreement shall continue to be binding on Employee and the Released Parties shall be entitled to enforce the provisions of this Agreement.

(b) If Employee disagrees with Company's determination under Section 8(a) or for any reason has a dispute with Employer regarding this Agreement or any other matter or thing, Employee shall be permitted to bring an arbitration proceeding in Bergen County before a retired judge of the Superior Court of New Jersey or other mutually agreeable arbitrator. The prevailing party in that arbitration proceeding shall be entitled to recoup reasonable attorneys' fees and other costs associated with such arbitration proceeding if the arbitrator so determines. The Company also shall have the right to file a demand for arbitration if a dispute between the parties requires resolution. Notwithstanding the foregoing, nothing herein shall be deemed to limit or alter the Company's right to seek injunctive relief before a court of competent jurisdiction to enforce its rights under the Covenants Agreement.

9 . Company Property. By executing this Agreement, Employee acknowledges that Employee has returned to Company any and all Company and client property in Employee's use or possession, including, but not limited to, all Company equipment, credit cards, computers, pass codes, keys, swipe cards, documents or other materials that Employee received, prepared, or helped to prepare. Employee acknowledges that Employee has not retained any copies, duplicates, reproductions, computer disks or excerpts thereof or of Company or client documents. Employee expressly represents and warrants that he has returned to the Company any and all audio and/or electronic recordings of any of the Released Parties in his possession, custody or control and has not maintained any copies of same.

10. Construction of Agreement. This Agreement, together with the Covenants Agreement (as modified herein), is the entire agreement between the parties as of the Effective Date. 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, 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. 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 shall be governed under the laws of the State of New Jersey, without reference to choice of law rules.

11. Acknowledgments. Company 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 Company;

(b) This Agreement shall not affect the rights and responsibilities of the Equal Employment Opportunity Commission (the "EEOC") and similar state agencies to enforce the ADEA and other laws, and it is further acknowledged and agreed 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 or similar state agency. 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 or similar state agency, 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 an arbitration pursuant to Section 8, 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) Company's pension plan(s) or 401(k) plan(s), if applicable.

12. Opportunity For Review.

(a) **Employee is hereby advised and encouraged by Company to consult with his/her own independent counsel before signing this Agreement**. 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 attorneys' 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/she wishes or considers necessary before deciding to sign this Agreement; (x) understands that if Employee does not sign and return this Agreement to Company (Attn: Julie L. Werner, Esq., Lowenstein Sandler LLP) within 21 days of receipt of this Agreement, Company shall have no obligation to enter into this Agreement, Employee shall not be entitled to the payment and benefits set forth in Section 4 of this Agreement and the Separation Date shall be unaltered; and (xi) understands that this Agreement is valid, binding and enforceable against the parties in accordance with its terms.

(b) This Agreement shall be effective and enforceable on the eighth (8th) day after execution and delivery to Company (Attn: Julie L. Werner, Esq., Lowenstein Sandler LLP) by Employee (the "Effective Date"). The parties understand and agree that Employee may revoke this Agreement after having executed and delivered it to Company by so advising Company (Attn: Julie L. Werner, Esq., Lowenstein Sandler LLP) in writing no later than 11:59 p.m. on the seventh (7th) day after Employee's execution and delivery of this Agreement to Company. If Employee revokes this Agreement, it shall not be effective or enforceable, Employee shall not be entitled to the payments or benefits set forth in Section 4 of this Agreement, and the Separation Date shall be unaltered. Employee acknowledges and understands that Company is not obligated to make any payment or provide any benefits under Section 4 of this Agreement until after the Effective Date.

Agreed to and accepted by, on this 18 day of July, 2013.

Witness:

/s/ Kathleen DeNardi

EMPLOYEE:

/s/ Darryl Miller
Name: Darryl Miller

Agreed to and accepted by, on this ____ day of ___________, 2013

I.D. Systems, Inc.

By: /s/ Jeffrey M. Jagid
Name: Jeffrey M. Jagid
Title: Chairman and CEO

EXHIBIT A

RESTRICTED SHARES

Award Date	Number of Restricted Shares Awarded	Number of Restricted Shares To Be Vested Upon Effective Date	Number of Restricted Shares Forfeited as of Separation Date
February 5, 2010	21,930	20,103	1,827
March 30, 2011	8,020	4,233	3,787
March 29, 2012	6,374	1,239	5,135
TOTALS	36,324	25,575	10,749

STOCK OPTIONS

Grant Date	Number of Shares Subject to Option	Number of Shares With Respect to Which Option may be Exercised	Number of Shares With Respect to Which Option is Forfeited as of Separation Date
February 5, 2010	44,543	40,831	3,712
March 30, 2011	17,061	9,004	8,057
March 29, 2012	40,541	7,883	32,658
TOTALS	102,145	57,718	44,427

EXHIBIT B

1. Appointment. The Company and Employee hereby appoint Lowenstein Sandler LLP as their escrow agent for the purposes set forth herein (the "Escrow Agent"), and the Escrow Agent hereby accepts such appointment under the terms and conditions set forth herein. The Company and Employee hereby instruct the Escrow Agent to act in accordance with the terms set forth in the Agreement and this Exhibit B. All terms not expressly defined in this Exhibit B are defined in the Agreement.

2. Investment of Escrow Funds. The Escrow Agent shall deposit the Escrowed Funds in a non-interest bearing bank account maintained at Bank of America, which is hereby approved by the Company and Employee. Instructions to make any other investment must be at the written direction of both Employee and the Company and shall specify the type and identity of the investments to be purchased and/or sold. The Escrow Agent shall have no responsibility or liability for the investment of the Escrowed Funds or the selection of the investment.

3. Agreement of the Company and Employee Regarding Release of the Escrowed Funds.

(a) Subject to Section 3(b) below, on each of the nine (9) month anniversary of the Separation Date, the twelve (12) month anniversary of the Separation Date and the eighteen (18) month anniversary of the Separation Date (each such anniversary of the Separation Date, an "Anniversary Release Date"), the Company and Employee shall jointly instruct the Escrow Agent to distribute one-third of the Escrowed Funds to Employee, unless the Company shall have delivered a Breach Notice to Employee on or prior to any such Anniversary Release Date.

(b) If the Company delivers a Breach Notice to Employee, Employee shall have a period of ten (10) days following receipt of the Breach Notice (the "Objection Period") to notify the Company and the Escrow Agent, in writing (the "Objection Notice"), of his objection (if any) to such Breach Notice and the specific grounds for such objection. If Employee does not deliver an Objection Notice within the Objection Period, (x) Employee shall be deemed to have accepted the Breach Notice and shall cease to have any right, title or interest in or to the Escrowed Funds, (y) the Escrowed Funds shall be distributed, in their entirety, to the Company and (z) the Company shall be authorized to instruct the Escrow Agent, in writing, that the Escrowed Funds be released to the Company as a result of Employee's failure to timely deliver an Objection Notice (a "Breach Notice Acceptance Instruction") and the Escrow Agent shall be fully authorized in relying upon such Breach Notice Acceptance Instruction.

(c) If Employee timely delivers an Objection Notice, the Company and Employee shall, for a period of thirty (30) days following the Company's receipt of the Objection Notice, seek to resolve the dispute between the parties and the manner in which the Escrowed Funds shall be distributed. If the parties are able to resolve such dispute, then the Escrowed Funds shall ultimately be distributed in accordance with the joint written instructions to the Escrow Agent by Employee and the Company. If the parties are unable to resolve such dispute during such thirty (30) day period, then the dispute will be resolved in accordance with Section 8(b) of the Agreement, and the Escrowed Funds shall be distributed in the manner specified in accordance with the arbitration award entered in accordance therewith.

4 . Release of Escrowed Funds by the Escrow Agent. The Escrow Agent shall distribute the Escrowed Funds as follows: (w) to the Company or Employee, as applicable, in accordance with the joint written instructions of the Company and Employee; (x) to the Company upon receipt of a Breach Acceptance Notice Instruction from the Company; (y) to the Company or Employee, as applicable, in accordance with the terms of the arbitration award entered into in accordance with Section 8(b) of the Agreement; and (z) to the Company or Employee, as applicable in accordance with the terms of a final non-appealable order of a court of competent jurisdiction. Upon distribution and release of the entire Escrowed Funds by the Escrow Agent in accordance with the terms of this Exhibit B, the appointment of the Escrow Agent shall terminate.

5. Escrow Agent Duties; Limitations on Liability; Indemnification etc. The Company and Employee acknowledge and agree for the benefit of the Escrow Agent as follows:

(a) Ministerial Duties. The Escrow Agent: (i) is not responsible for the performance by the Company or Employee of the Agreement or this Exhibit B or for determining or compelling compliance therewith; (ii) is only responsible for (A) holding the Escrowed Funds in escrow in accordance with the terms set forth in this Exhibit B, and (B) disbursing the Escrowed Funds in accordance with Section 4 of this Exhibit B, each of the responsibilities of the Escrow Agent in clause (A) and (B) is ministerial in nature, and no implied duties or obligations of any kind shall be read into the terms set forth in this Exhibit B against or on the part of the Escrow Agent (collectively, the " Escrow Agent Duties"); (iii) shall not be obligated to take any legal or other action hereunder which might in its judgment involve or cause it to incur any expense or liability unless it shall have been furnished with indemnification acceptable to it, in its sole discretion; (iv) may rely on and shall be protected in acting or refraining from acting upon any written notice, instruction (including, without limitation, wire transfer instructions, whether incorporated herein or provided in a separate written instruction), instrument, statement, certificate, request or other document furnished to it hereunder and believed by it to be genuine and to have been signed or presented by the proper person, and shall have no responsibility for making inquiry as to, or for determining, the genuineness, accuracy or validity thereof, or of the authority of the person signing or presenting the same; and (v) may consult counsel satisfactory to it (including its general counsel), and the opinion or advice of such counsel in any instance shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in accordance with the opinion or advice of such counsel. Documents and written materials referred to in this Exhibit B include, without limitation, e-mail and other electronic transmissions capable of being printed, whether or not they are in fact printed; and any such e-mail or other electronic transmission may be deemed and treated by the Escrow Agent as having been signed or presented by a person if it bears, as sender, the person's e-mail address.

(b) Limitation on Liability. The Escrow Agent shall not be liable to anyone for any action taken or omitted to be taken by it hereunder, except in the case of Escrow Agent's gross negligence or willful misconduct in breach of the Escrow Agent Duties. IN NO EVENT SHALL THE ESCROW AGENT BE LIABLE FOR INDIRECT, PUNITIVE, SPECIAL OR CONSEQUENTIAL DAMAGE OR LOSS (INCLUDING BUT NOT LIMITED TO LOST PROFITS) WHATSOEVER, EVEN IF THE ESCROW AGENT HAS BEEN INFORMED OF THE LIKELIHOOD OF SUCH LOSS OR DAMAGE AND REGARDLESS OF THE FORM OF ACTION.

(c) Indemnification. The Company and Employee hereby jointly and severally indemnify and holds harmless the Escrow Agent from and against any and all loss, liability, cost, damage and expense, including, without limitation, reasonable counsel fees and expenses, which the Escrow Agent may suffer or incur by reason of any action, claim or proceeding brought against the Escrow Agent arising out of or relating to the performance of the Escrow Agent Duties, except to the extent such action, claim or proceeding is exclusively the result of the willful misconduct, bad faith or gross negligence of the Escrow Agent.

(d) Conflicts. The Escrow Agent has acted as legal counsel to the Company in connection with this Agreement and various other matters, is merely acting as a stakeholder under this Agreement and is, therefore, hereby authorized to continue acting as legal counsel to the Company including, without limitation, with regard to any dispute arising out of the Agreement and this Exhibit B, the Escrowed Funds and its release or any other matter. Employee hereby expressly consents to permit the Escrow Agent to represent the Company in connection with all matters relating to this Agreement, including, without limitation, with regard to any dispute arising out of this Agreement, the Escrowed Funds and its release or any other matter, and hereby waives any conflict of interest or appearance of conflict or impropriety with respect to such representation. Employee has consulted with his own counsel specifically about this Section 4(d), and has entered into the Agreement after being satisfied with such advice.

(e) Resignation; Replacement. The Escrow Agent shall have the right at any time to resign for any reason and be discharged of its duties as escrow agent hereunder (including without limitation the Escrow Agent Duties) by giving written notice of its resignation to the Company and Employee at least ten (10) calendar days prior to the specified effective date of such resignation. All obligations of the Escrow Agent hereunder shall cease and terminate on the effective date of its resignation and its sole responsibility thereafter shall be to hold the Escrow Amount, for a period of ten (10) calendar days following the effective date of resignation, at which time,

(I) if a successor escrow agent acceptable to both the Company and Employee shall have been appointed and have accepted such appointment in a writing to both the Company and Employee, then upon written notice thereof given to each of the Escrow Agent, the Company and Employee, the Escrow Agent shall deliver the Escrowed Funds to the successor escrow agent, and upon such delivery, the Escrow Agent shall have no further liability or obligation; or

(II) if a successor escrow agent shall not have been appointed, for any reason whatsoever, the Escrow Agent shall at its option in its sole discretion, either (A) deliver the Escrowed Funds to a court of competent jurisdiction selected by the Escrow Agent and give written notice thereof to the Company and the Employee, or (B) continue to hold the Escrowed Funds in escrow pending written direction from the Company and the Employee in form and formality satisfactory to the Escrow Agent.

(f) Interpleader. In the event that the Escrow Agent shall be uncertain as to its duties or rights hereunder or shall receive instructions with respect to the Escrowed Funds or any portion thereunder which, in its sole discretion, are in conflict either with other instructions received by it or with any provision of this Exhibit B, the Escrow Agent shall have the absolute right to suspend all further performance of its duties under this Agreement (except for the safekeeping of such Escrowed Funds) until such uncertainty or conflicting instructions have been resolved to the Escrow Agent's sole satisfaction by final judgment of a court of competent jurisdiction or joint written instructions from the Company and Employee. In the event that any controversy arises between the Company and the Employee with respect to this Agreement, Exhibit B or the Escrowed Funds, the Escrow Agent shall not be required to determine the proper resolution of such controversy or the proper disposition of the Escrowed Funds, and shall have the absolute right, in its sole discretion, to deposit the Escrowed Funds with the clerk of a court selected by the Escrow Agent and file a suit in interpleader in that court and obtain an order from that court requiring all parties involved to litigate in that court their respective claims arising out of or in connection with the Escrowed Funds. Upon the deposit by the Escrow Agent of the Escrowed Funds with the clerk of such court in accordance with this provision, the Escrow Agent shall thereupon be relieved of all further obligations and released from all liability hereunder.

6 . Miscellaneous. The Company and Employee acknowledge and agree that the Escrow Agent is an express third party beneficiary of the provisions of this Exhibit B. The provisions of this Exhibit B may not be modified except in a writing signed by the parties hereto and the Escrow Agent.

Schedule 4.6(c)

The account maintained by the Employee's broker at the Depository Trust Company is:

TD Ameritrade's DTC# is 0188.

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

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

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

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

Date: November 14, 2013

/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 financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

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

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

Date: November 14, 2013

/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, 2013, 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, 2013, 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 14, 2013

By: /s/ Ned Mavrommatis
Ned Mavrommatis
Chief Financial Officer
(Principal Financial Officer)
Date: November 14, 2013

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 September 30, 2013 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.