



Dear Fellow Shareholders:

2020 was the first full year as an integrated, unified, and global organization under the PowerFleet brand. While all companies globally faced the COVID crisis, we used the slowing of global economies as an opportunity to accelerate our integration and cost-savings efforts, which helped produce strong adjusted EBITDA margins and cash flow generation in the second half of the year.

While many of the geographies we serve today are in varying reopening phases, we continue to see many positive green shoots, including an overall general economic recovery and the possibility of a surge in demand for our innovative solutions.

Q2 2020 marked the low point for our business as prospects and customers temporarily paused major capital expenditures. Fortunately, our resilient business model and growing recurring, high-margin, service revenues provided a solid foundation and predictability to manage through the challenging period. In Q3 2020, we saw a recovery of product sales which continued through Q4 and into the new year. One harbinger of economic activity in the U.S. is PowerFleet's more than 500 dealer channel network, which has established a growth opportunity pipeline that now exceeds pre-COVID levels.

Internationally, our Israel and Mexico operating units have continued to excel and are operating at pre-COVID levels. Our partnership with Jungheinrich remains robust despite the erratic lockdowns in Germany and the UK.

We have continued our R&D efforts around weight on axle sensing as well as vehicle immobilization. Weight on axle will allow chassis lessors and owners to know if their chassis are being used and if they have a container that is loaded, both of which are two key utilization measurements. Vehicle immobilization is critically needed for vehicle sharing businesses with the added requirement of easy installation and low cost. We are also doing work around virtual gating and continue our developments around image recognition and machine learning.

Our next generation revenue programs in Israel are gaining traction demonstrated by the multiple deals we have signed involving medical supply and vaccine distribution, vertical farm monitoring, defibrillator monitoring, tower crane inventory management and cannabis distribution. These over-the-horizon revenue growth programs, once proven out, and if successful, are looked at for global deployment.

Our core markets of Logistics, Industrial and Vehicles continue to recover, and we crested 590,000 monthly subscribers at the end of 2020. We are working on some exciting prospects for transitioning legacy Industrial customers onto our SaaS and next-gen platforms in 2021, which total nearly 30,000 units in aggregate.

Powering into 2021, I am very pleased with our global team's operational execution over the last 15 months and the positive results we have delivered across our business. The future for PowerFleet has never been brighter and we look forward to continued success in 2021 and beyond.

Sincerely

A handwritten signature in blue ink, appearing to read 'Chris Wolfe'.

Chris Wolfe
CEO

PowerFleet, Inc.
123 Tice Boulevard
Woodcliff Lake, New Jersey 07677

NOTICE OF 2021 ANNUAL MEETING OF STOCKHOLDERS

To Be Held On July 20, 2021

To the Stockholders of PowerFleet, Inc.:

Notice is hereby given that the 2021 Annual Meeting of Stockholders (the “Annual Meeting”) of PowerFleet, Inc., a Delaware corporation (the “Company,” “we,” “our” or “us”) will be held on Tuesday, July 20, 2021, at 10:00 a.m., Eastern Time, and thereafter as it may be postponed or adjourned from time to time. Due to the public health impact of COVID-19, we will be holding our Annual Meeting in a virtual meeting format only. You may attend, vote and submit questions during the Annual Meeting via the Internet at <https://web.lumiagm.com/209728603>. The password for the meeting is power2021 (case sensitive). We have designed the format of the Annual Meeting to ensure that you are afforded the same rights and opportunities to participate as you would at an in-person meeting, using online tools to ensure your access and participation.

We have scheduled the Annual Meeting for the following purposes, each of which is described more fully in the Proxy Statement accompanying this Notice of Annual Meeting:

1. To elect five (5) directors, the names of whom are set forth in the accompanying Proxy Statement, each to serve until the Company’s 2022 annual meeting of stockholders and until their respective successors are duly elected and qualified;
2. To vote upon the ratification of the appointment of Ernst & Young LLP as the independent registered public accounting firm of the Company for the fiscal year ending December 31, 2021;
3. To hold an advisory (non-binding) vote to approve the Company’s executive compensation;
4. To vote upon a proposal to amend the Company’s Amended and Restated Certificate of Incorporation to modify certain terms of the Company’s Series A Convertible Preferred Stock;
5. To vote upon a proposal to amend the PowerFleet, Inc. 2018 Incentive Plan to increase the number of shares of common stock available for issuance thereunder; and
6. To transact such other business as may properly come before the Annual Meeting, including any motion to adjourn to a later date to permit further solicitation of proxies, if necessary, or before any adjournment thereof.

The meeting will begin promptly at 10:00 a.m., Eastern Time. Only holders of record of shares of our common stock at the close of business on May 25, 2021, the date fixed by our Board of Directors as the record date for the Annual Meeting, will be entitled to notice of, and to vote at, the meeting and any postponements or adjournments of the meeting.

For a period of at least ten (10) days prior to the Annual Meeting, a complete list of stockholders entitled to vote at the meeting will be available and open to the examination of any stockholder for any purpose germane to the Annual Meeting during normal business hours at our principal executive offices located at 123 Tice Boulevard, Woodcliff Lake, New Jersey 07677. If our principal executive offices are closed at that time due to COVID-19, please email NMavrommatis@powerfleet.com to make alternate arrangements to examine the stockholder list.

Your vote is important. Whether you expect to attend the virtual Annual Meeting or not, please vote your shares by Internet or by mail pursuant to the instructions included on the proxy card or voting instruction card. If you attend the Annual Meeting, you may vote your shares over the Internet, even though you have previously signed and returned your proxy.

By order of the Board of Directors,

/s/ Ned Mavrommatis

Ned Mavrommatis
Corporate Secretary

Dated: June 11, 2021
Woodcliff Lake, New Jersey

Important Notice of Internet Availability of Proxy Materials for the 2021 Annual Meeting of Stockholders to be held on July 20, 2021. The Notice, this Proxy Statement and our Annual Report on Form 10-K for the fiscal year ended December 31, 2020 (as amended by our Form 10-K/A filed with the Securities and Exchange Commission on April 30, 2021) are available through the Internet at <https://ir.powerfleet.com/proxy-materials>. Under Securities and Exchange Commission rules, we are providing access to our proxy materials both by sending you this full set of proxy materials, and by notifying you of the availability of our proxy materials on the Internet.

**POWERFLEET, INC.
123 TICE BOULEVARD
WOODCLIFF LAKE, NEW JERSEY 07677**

PROXY STATEMENT

**Annual Meeting of Stockholders
July 20, 2021**

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors (the “Board”) of PowerFleet, Inc., a Delaware corporation (the “Company,” “we,” “our” or “us”), for use at our 2021 Annual Meeting of Stockholders (the “Annual Meeting”) to be held on Tuesday, July 20, 2021, at 10:00 a.m., Eastern Time, and any adjournments or postponements thereof. Due to the public health impact of COVID-19, we will be holding our Annual Meeting in a virtual meeting format only. You may attend, vote and submit questions during the Annual Meeting via the Internet at <https://web.lumiagm.com/209728603>. The password for the meeting is power2021 (case sensitive). We have designed the format of the Annual Meeting to ensure that you are afforded the same rights and opportunities to participate as you would at an in-person meeting, using online tools to ensure your access and participation.

The Board is sending the proxy materials relating to the Annual Meeting, which include this Proxy Statement, our Annual Report on Form 10-K for the fiscal year ended December 31, 2020 (as amended by our Form 10-K/A filed with the Securities and Exchange Commission (the “SEC”) on April 30, 2021, our “Annual Report”) and proxy card, to the Company’s stockholders beginning on or about June [18], 2021. The information included in this Proxy Statement relates to the proposals to be voted on at the Annual Meeting, the voting process, the compensation of our most highly paid executive officers and our directors, and certain other required information.

Important Notice of Internet Availability of Proxy Materials for the 2021 Annual Meeting of Stockholders to be held on July 20, 2021

The Notice, this Proxy Statement and our Annual Report are available through the Internet at <https://ir.powerfleet.com/proxy-materials>. Under the SEC rules, we are providing access to our proxy materials both by sending you this full set of proxy materials, and by notifying you of the availability of our proxy materials on the Internet.

Record Date and Outstanding Shares

The Board has fixed the close of business on May 25, 2021, as the record date (the “Record Date”) for the determination of stockholders entitled to notice of, and to vote at, the Annual Meeting and any adjournments or postponements of the meeting. Only stockholders of record at the close of business on the Record Date will be entitled to vote at the Annual Meeting or any and all adjournments or postponements thereof.

As of the Record Date, we had issued and outstanding 35,990,402 shares of common stock. Our common stock comprises all of our issued and outstanding voting stock.

For a period of at least ten (10) days prior to the Annual Meeting, a complete list of stockholders entitled to vote at the meeting will be available and open to the examination of any stockholder for any purpose germane to the Annual Meeting during normal business hours at our principal executive offices located at 123 Tice Boulevard, Woodcliff Lake, New Jersey 07677. If our principal executive offices are closed at that time due to COVID-19, please email NMavrommatis@powerfleet.com to make alternate arrangements to examine the stockholder list.

Purposes of the Annual Meeting

The purposes of the Annual Meeting are (i) to elect five (5) directors to our Board, each to serve until our 2022 annual meeting of stockholders and until their respective successors are duly elected and qualified; (ii) to ratify the appointment of Ernst & Young LLP as the Company’s independent registered public accounting firm for the fiscal year ending December 31, 2021; (iii) to approve, on an advisory basis, the Company’s executive compensation; (iv) to approve an amendment to the Company’s Amended and Restated Certificate of Incorporation (the “Series A Preferred Amendment”) to modify certain terms of the Company’s Series A Convertible Preferred Stock (the “Series A Preferred Stock”), as described in “Proposal No. 4” below; (v) to approve an amendment to the PowerFleet, Inc. 2018 Incentive Plan (the “2018 Plan”) to increase the number of shares of common stock available for issuance thereunder (the “Plan Amendment”); and (vi) to transact such other business as may properly come before the Annual Meeting or at any adjournment or postponement thereof. In addition to the foregoing, there will be a report on the progress of our Company and an opportunity for questions of general interest to the stockholders.

Unless we receive specific instructions to the contrary or unless such proxy is revoked, shares represented by each properly executed proxy will be voted: (i) “FOR” the election of each of our nominees as a director; (ii) “FOR” the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2021; (iii) “FOR” the approval, on an advisory basis, of our executive compensation; (iv) “FOR” the approval of the Series A Preferred Amendment; (v) “FOR” the approval of the Plan Amendment; and (vi) with respect to any other matters that may properly come before the Annual Meeting, at the discretion of the proxy holders. We do not presently anticipate that any other business will be presented for action at the Annual Meeting.

Virtual Meeting Format

Attending and Participating at the Virtual Annual Meeting

Due to the public health impact of COVID-19, we will be holding our Annual Meeting in a virtual meeting format only. If you are a stockholder of record as of the close of business on May 25, 2021, you may attend, vote and ask questions by typing them into the dialog box provided during the meeting by logging into the meeting at <https://web.lumiagm.com/209728603>. The password for the meeting is power2021 (case sensitive).

Rationale for the Virtual Format

As a part of our precautions relating to COVID-19, we have decided to hold our Annual Meeting in a virtual meeting format only. We believe that hosting a virtual meeting under the current environment will facilitate stockholder attendance and participation by enabling stockholders to participate from any location around the world and improve our ability to communicate more effectively with our stockholders. We have designed the virtual meeting to provide substantially the same opportunities to participate as you would have at an in-person meeting. We are providing opportunities to submit questions prior to the meeting, to enable us to address appropriate questions at the Annual Meeting.

Voting at the Annual Meeting

Quorum Requirements

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

Stockholders of Record and Beneficial Owners

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

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

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

Vote Required

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

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

The approval of the Series A Preferred Amendment requires the affirmative vote of the holders of a majority of the outstanding shares of the Company’s common stock entitled to vote as of the Record Date. Abstentions and broker non-votes, if any, will have the effect of a vote against this proposal.

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

Effect of Advisory Votes

The approval, on an advisory basis, of our executive compensation, also known as a “say on pay” vote, is an advisory vote mandated by the Dodd-Frank Wall Street Reform and Consumer Protection Act. This means that while we ask stockholders to approve our executive compensation, it is not an action that requires stockholder approval, and stockholders are not voting to approve or disapprove the Board’s recommendation with respect to this proposal. This advisory vote is non-binding on the Board, although the Board welcomes the input of our stockholders on the Company’s compensation policies and compensation program and will take the advisory vote into account in making determinations concerning executive compensation. At our 2017 annual meeting of stockholders held on June 15, 2017, we conducted a stockholder advisory vote on the frequency of future stockholders votes on the Company’s executive compensation (every one, two or three years), also known as a “say on frequency” vote. The Board considered the results of this “say on frequency” advisory vote and, since the most affirmative votes of all the votes cast on the “say on frequency” matter expressed a preference for having the “say on pay” vote every year, determined that an advisory vote on executive compensation would be conducted on an annual basis until the next vote on the frequency of such stockholder advisory votes. Notwithstanding the outcome of stockholder “say on frequency” votes, however, the Board may in the future decide to conduct advisory votes on a less frequent basis if appropriate and may vary its practice based on factors such as discussions with stockholders and the adoption of material changes to compensation programs.

Voting of Proxies

Stockholders of Record

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

Beneficial Owners

As a beneficial owner, you have the right to direct your broker, bank or nominee as to how to vote your shares. Please refer to the voting instruction card provided by your broker, bank or nominee. You are also invited to attend the Annual Meeting. However, because a beneficial owner is not the stockholder of record, you may not vote these shares in person at the meeting unless you obtain a “legal proxy” from the broker, bank or nominee that holds your shares, giving you the right to vote the shares at the meeting. Once you have received a legal proxy from your broker, bank or nominee, it should be emailed to NMavrommatis@powerfleet.com and should be labeled “Legal Proxy” in the subject line. Please include proof from your broker, bank or other nominee of your legal proxy (e.g., a forwarded email from your broker, bank or other nominee with your legal proxy attached, or an image of your legal proxy attached to your email). Requests for registration must be received by AST no later than 5:00 p.m., Eastern Time, on July 16, 2021.

Voting Without Attending the Meeting

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

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

Revocation of Proxies

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

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

Please note, however, if you were not a registered stockholder of record, but held shares through a broker, bank or other nominee (i.e., in street name), you will need to obtain a “legal proxy” from the broker, bank or other nominee that holds your shares, confirming your beneficial ownership of the shares.

Solicitation

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

We have retained D.F. King & Co., Inc. to provide services as proxy solicitor in connection with this Proxy Statement. We expect that the costs for such services, including fees and expenses, will be in the aggregate amount of approximately \$9,500.

PROPOSAL NO. 1

ELECTION OF DIRECTORS

The Board has nominated Chris Wolfe, Michael Brodsky, Michael Casey, Charles Frumberg and David Mahlab for election as directors of the Company. If elected to the Board, each nominee will hold office until our Annual Meeting of Stockholders to be held in 2022 and until his respective successor has been duly elected and qualified, or until his earlier death, resignation or removal. Each of Messrs. Wolfe, Brodsky, Casey, Frumberg and Mahlab has consented to being named as a nominee and, if elected, to serve as a director. The nominating committee of the Board (the “Nominating Committee”) and the Board believe that each of these nominees possesses the attributes we seek in directors generally as well as the individual experiences, qualifications and skills included in their individual biographies below.

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

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

Information About Our Directors, Director Nominees and Executive Officers

The table below sets forth the names and ages of the directors, nominees for director and executive officers of the Company as of May 25, 2021, as well as the position(s) and office(s) with the Company held by those individuals. A summary of the background and experience of each of those individuals is set forth after the table. In addition to the five directors nominated for re-election by the holders of our common stock at the Annual Meeting, two directors (the “Series A Directors”) will be elected by the holders of our Series A Preferred Stock, voting as a separate class. The holders of our common stock do not vote on the election of the Series A Directors. The holders of the Series A Preferred Stock have nominated and intend to re-elect Anders Bjork and Medhini Srinivasan as the Series A Directors.

Name	Age	Position(s)
DIRECTORS AND DIRECTOR NOMINEES:		
Chris Wolfe	63	Chief Executive Officer and Director
Anders Bjork	47	Series A Director
Michael Brodsky	53	Director and Chairman of the Board
Michael Casey	57	Director
Charles Frumberg	65	Director
David Mahlab	64	Director
Medhini Srinivasan	36	Series A Director
EXECUTIVE OFFICERS WHO ARE NOT DIRECTORS OR DIRECTOR NOMINEES:		
Ned Mavrommatis	50	Chief Financial Officer, Treasurer and Corporate Secretary
Elizabeth Elkins	49	Chief Product Officer

Directors and Director Nominees

Chris Wolfe. Mr. Wolfe has served as our Chief Executive Officer since December 2016, as a director of the Company since June 2017 and as a director of the Company’s wholly owned subsidiary, Pointer Telocation Ltd. (“Pointer”), since October 2019. Mr. Wolfe previously served as our Chief Product Officer from August 2016 to December 2016 and as a strategy consultant for the Company from February 2016 to July 2016. From 2000 to 2005, Mr. Wolfe served as the President of Qualcomm Wireless Business Solutions, a division of Qualcomm Incorporated, a Nasdaq-listed company which provides wireless communications products and services. After leaving Qualcomm, Mr. Wolfe founded Americans for Energy Independence, a public awareness non-profit organization, which later merged into the Apollo Alliance. Mr. Wolfe has degrees in Data Processing, Business Management and Technical Education from the University of Akron. He has attended Stanford’s Executive Course and several MBA-level accounting and finance courses at Kent State University and Cleveland State.

Mr. Wolfe’s qualifications to serve the Board include his years of experience as an executive in the wireless technology and data solutions sector. In addition, Mr. Wolfe’s role as the Chief Executive Officer of the Company and former role as Chief Product Officer of the Company provides the Board with invaluable insight into the management and daily operations of the Company.

Anders Bjork. Mr. Bjork has served as a director of the Company and of Pointer since October 2019. Mr. Bjork is a Partner at ABRY Partners, a private equity investment firm, which he joined in February 2017. Prior to joining ABRY Partners, he was a Principal at Fir Tree Partners, a private investment firm, from May 2014 to February 2017. He has also worked for private investment firms Guggenheim Partners and VSS and previously led corporate development at information services company IHS Markit. Mr. Bjork holds a B.S., with honors, from the University of Denver, an M.S.F. from the Daniels College of Business at the University of Denver, and an M.B.A. from the Wharton School at the University of Pennsylvania.

With Mr. Bjork's many years of experience as an investment professional, he brings significant financial and capital markets expertise as well as a professional investor's perspective to the Board. Mr. Bjork also possesses management experience through the leadership roles he has held at various investment firms and at a global information services company. We believe Mr. Bjork's expertise in finance and capital markets and his business and management experience enable him to be an effective contributing member of the Board.

Michael Brodsky. Mr. Brodsky has served as a director of the Company since June 2014, as Chairman of the Board since December 2016 and as a director of Pointer since October 2019. Previously, Mr. Brodsky was the Lead Director of the Board from June 2014 until December 2016. Mr. Brodsky is the Managing Partner of Vajra Asset Management, LLC, an investment firm, and also the co-founder and Chief Executive Officer of Options Solutions, LLC, a specialized asset manager. Mr. Brodsky has served as the Chairman of the Board of Determine, Inc. (Nasdaq: DTRM), a provider of contract management, procurement and sourcing software that is headquartered in Carmel, Indiana, since August 2013 until its sale in April 2019. He served on its board of directors from October 2010 until April 2019 and served as its Chief Executive Officer from August 2013 until December 2013. He also served as the Chairman of the Board of Trans World Corporation (OTCQB: TWOC), an owner and operator of hotels and casinos throughout Europe that is headquartered in New York City, from June 2014 until its sale in March 2018 and as a director from September 2013 until March 2018. Since June 2012, he has served on the board of directors of Genesis Land Development Corporation (TSX: GDC), a residential land developer and homebuilder based in Calgary, Canada. Mr. Brodsky also served on the board of directors of Los Angeles-based Spark Networks, Inc. (AMEX: LOV), a collection of niche-oriented community websites, from November 2015 until its sale in November 2017. From February 2015 until its sale in July 2015, Mr. Brodsky also served on the board of directors of JPS Industries, Inc. (formerly OTCPK: JPST), a manufacturer of urethane film, sheet, tubing, and other highly-engineered components which is headquartered in Greenville, South Carolina. From February 2013 until July 2014, he was a member of the board of directors of AltiGen Communications, Inc. (OTCPK: ATGN), a provider of Voice over Internet Protocol (VoIP) phone systems and call center solutions based in San Jose, California. Previously, he was a member of the board of directors and served as the President, Chief Executive Officer and Executive Chairman of Youbet.com, Inc. (formerly Nasdaq: UBET), an online horse racing wagering provider based in Woodland Hills, California. Following the June 2010 acquisition of Youbet.com, Inc. by Churchill Downs Incorporated (Nasdaq: CHDN), an industry-leading racing, gaming and online entertainment company headquartered in Louisville, Kentucky, Mr. Brodsky served on the board of directors of Churchill Downs until April 2012. From 2005 to 2011, Mr. Brodsky was the managing partner of New World Opportunity Partners, LLC, an investment firm.

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

Michael Casey. Mr. Casey has served as a director of the Company since September 2016 and as a director of Pointer since October 2019. Mr. Casey served on the board of directors and as a member of the nominating/corporate governance committee and as chairperson of the audit committee for Determine, Inc. from 2010 until its acquisition in April 2019 and has served as the Chairman of the Board of Determine, Inc. since April 2019. Mr. Casey also serves on the board of directors of Revegy, Inc., a privately held software business. Since 2006, Mr. Casey has been a partner at TechCXO, LLC, a professional services firm that provides financial, strategic and operational consulting services to businesses in the technology industry. Mr. Casey's prior experience includes having served as chief financial officer for MAPICS, Inc., a publicly traded provider of enterprise resource planning software for the discrete manufacturing industries. Previously, Mr. Casey served as executive vice president, chief financial and administrative officer of iXL Enterprises, Inc., a publicly traded professional services firm, chief financial officer of Manhattan Associates, Inc., a publicly traded provider of supply chain execution solutions, and chief financial officer of IQ Software Corporation, a publicly traded provider of business intelligence software. Mr. Casey began his career as a CPA with Arthur Andersen & Co. and holds a B.B.A. degree in accounting from The University of Georgia.

Mr. Casey possesses extensive business, operating and executive expertise. Mr. Casey's experience includes more than twelve years of service as the chief financial officer of several publicly traded software and services companies. In addition, Mr. Casey has served in various executive management roles, including as chief financial officer and chief operating officer, and as an advisor for software businesses in the asset performance management, supply chain and business intelligence and analytics sectors. We believe Mr. Casey's management and leadership skills and experience with software businesses enable him to be an effective contributing member of the Board.

Charles Frumberg. Mr. Frumberg has served as a director of the Company since July 2018 and as a director of Pointer since October 2019. Mr. Frumberg has been the Managing Member of Emancipation Capital, a technology-focused group of funds, since its inception in 2003. Before founding Emancipation Capital, Mr. Frumberg served as Co-Head of Equities at SG Cowen Securities Corp. (“SG Cowen”), a leading technology and healthcare investment bank, and was a member of SG Cowen’s merchant banking and venture committees. Previously, Mr. Frumberg led U.S. Research and served as Co-Head of Global Research at UBS Securities, an investment bank, and served on its management and merchant banking committees. Mr. Frumberg has served as a member of the board of directors of multiple public and private technology companies. Mr. Frumberg earned a B.S. degree in economics at New York University and attended New York University’s Stern School of Business as part of its B.S./MBA program.

Mr. Frumberg possesses extensive business, operating and executive expertise. Having served on the boards of many technology companies, Mr. Frumberg has extensive industry and technology expertise. As the managing member of Emancipation Capital and through his executive roles as various investment banks, Mr. Frumberg also possesses significant financial and capital markets experience. We believe Mr. Frumberg’s management skills and experience with technology companies and investment banks enable him to be an effective contributing member of the Board.

David Mahlab. Mr. Mahlab has served as a director of the Company and a director of the Company’s wholly owned subsidiaries, PowerFleet Israel Ltd. (f/k/a PowerFleet Israel Holding Company Ltd.) (“PowerFleet Israel”) and Pointer, since October 2019. Mr. Mahlab previously served as Chief Executive Officer International of the Company from October 2019 until January 2020, as the President and Chief Executive Officer of Pointer from February 1, 2011 until its acquisition by the Company in October 2019 and as the Chief Executive Officer International of Pointer from October 2019 until January 2020. Mr. Mahlab is the co-founder of Scopus Video Networks, a provider of digital video networking products, where he served as both its Chief Executive Officer from 1995 until January 2007 and the chairman of its board of directors from January 2007 until March 2009. Since November 2020, Mr. Mahlab has served as Chairman of the Board of Blitz Motors, an Israel-based developer and manufacturer of electric scooters. Since August 2020, Mr. Mahlab has also served as the Chief Executive Officer of Everest Technologies, an Israel-based company that provides automatic test equipment design. Mr. Mahlab holds a BSc. and a MSc. in Electrical Engineering from the Technion-Israel Institute of Technology, an MBA from Tel Aviv University and LLB from Tel Aviv University.

Mr. Mahlab possesses over twenty years of experience serving as the chief executive of companies in the telematics and telecommunications technology sectors. In particular, as the former President and Chief Executive Officer of Pointer, Mr. Mahlab brings a unique perspective, including insight into Pointer’s operations, to the Board. We believe Mr. Mahlab’s management experience and industry expertise enable him to be an effective contributing member of the Board.

Medhini Srinivasan. Ms. Srinivasan has served as a director of the Company and of Pointer since July 2020. Ms. Srinivasan is a Principal at ABRY Partners, a private equity investment firm, which she joined in 2016. Prior to joining ABRY Partners, she served as Vice President at Moelis Capital Partners, a private equity firm, from 2012 to 2015. She has also worked for The Edgewater Funds and J.P. Morgan. Ms. Srinivasan holds an M.B.A. with Honors from The Wharton School at the University of Pennsylvania and a B.B.A. with High Distinction from the Stephen M. Ross School of Business at the University of Michigan.

With her many years of experience as an investment professional, Ms. Srinivasan brings significant financial and capital markets expertise as well as a professional investor’s perspective to the Board. We believe Ms. Srinivasan’s expertise in finance and capital markets and her business and investment experience enable her to be an effective contributing member of the Board.

Executive Officers

Chris Wolfe. See narrative description under the caption “Directors and Director Nominees” above.

Ned Mavrommatis. Mr. Mavrommatis has served as our Chief Financial Officer since joining us in August 1999, as our Treasurer since June 2001 and as our Corporate Secretary since November 2003. Mr. Mavrommatis also serves on the board of directors of PowerFleet Israel and is the Managing Director of our wholly owned subsidiaries, PowerFleet GmbH and PowerFleet Systems Ltd. In addition, Mr. Mavrommatis currently serves on the board of directors of Duos Technologies Group, Inc. (Nasdaq: DUOT), a provider of intelligent analytical technology solutions. Prior to joining us, Mr. Mavrommatis worked in public accounting at the firm of Eisner LLP (currently known as EisnerAmper LLP). Mr. Mavrommatis received a Master of Business Administration in finance from New York University’s Leonard Stern School of Business and a Bachelor of Business Administration in accounting from Bernard M. Baruch College, The City University of New York. Mr. Mavrommatis is also a Certified Public Accountant.

Elizabeth Elkins. Ms. Elkins has served as our Chief Product Officer since January 2020. She also served as the interim General Manager of PowerFleet for Logistics from April 2020 to January 2021. Prior to joining us, Ms. Elkins served as Executive Vice President, Global Product Development, Product Management, Product Marketing and Program Management at KORE Wireless Group, Inc., a provider of Internet of Things solutions and services, from 2017 to 2019. From 2010 to 2017, Ms. Elkins served as the Chief Operating Officer of Pneuron Corporation, a technology and consulting firm. Ms. Elkins also previously served in various executive leadership roles at Fiserv, Inc. (Nasdaq: FISV), a global provider of payments and financial services technology solutions, including as President and General Manager of Financial Control Solutions. She is currently a member of the University of Texas MS Information Technology and Management Advisory Council. Ms. Elkins attended the University of Tennessee and American Intercontinental University, holding a Bachelor of Business Administration, Management Information Systems.

Bankruptcies

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

CORPORATE GOVERNANCE AND BOARD MATTERS

General

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

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

Board Composition

On October 3, 2019, we completed the transactions (the “Transactions”) contemplated by the Agreement and Plan of Merger, dated as of March 13, 2019 (the “Merger Agreement”), by and among I.D. Systems, Inc. (“I.D. Systems”), the Company, Pointer, PowerFleet Israel and Powerfleet Israel Acquisition Company Ltd., and the Investment and Transaction Agreement, dated as of March 13, 2019, as amended by Amendment No. 1 thereto dated as of May 16, 2019, Amendment No. 2 thereto dated as of June 27, 2019, Amendment No. 3 thereto dated as of October 3, 2019 and Amendment No. 4 thereto dated as of May 13, 2020 (the “Investment Agreement”), by and among I.D. Systems, the Company, PowerFleet US Acquisition Inc., and ABRY Senior Equity V, L.P. (“ASE”), ABRY Senior Equity Co-Investment Fund V, L.P. (“ASECF”) and ABRY Investment Partnership, L.P. (together with ASE and ASECF, the “Investors”), affiliates of ABRY Partners II, LLC. Pursuant to the terms of the Investment Agreement, the size of the Board was increased to seven directors and each of our current directors was appointed to the Board.

In addition, in connection with the completion of the Transactions, we amended and restated our certificate of incorporation. The Amended and Restated Certificate of Incorporation provides that so long as shares of Series A Preferred Stock remain outstanding and represent 15% or more, on an as-converted basis, of the voting power of our common stock, the holders of at least a majority of the outstanding shares of Series A Preferred Stock, voting as a separate class, will be entitled to elect two directors to the Board and any committee or subcommittee thereof (subject to the application of SEC and Nasdaq independence requirements). So long as any shares of Series A Preferred Stock remain outstanding and represent less than 15% but not less than 5%, on an as-converted basis, of the voting power of our common stock, the holders of at least a majority of the outstanding shares of Series A Preferred Stock, voting as a separate class, will be entitled to elect one director to the Board. For so long as any shares of Series A Preferred Stock remain outstanding and there are no directors on the Board that were elected by the holders of Series A Preferred Stock, voting as a separate class, the holders of at least a majority of the outstanding shares of Series A Preferred Stock, voting as a separate class, will be entitled to designate one non-voting observer to attend all meetings of the Board and committees and subcommittees thereof, although the observer may be excluded from executive sessions of any committee at the discretion of such committee. The holders of our Series A Preferred Stock have nominated and intend to re-elect Anders Bjork and Medhini Srinivasan as the Series A Directors.

Director Independence

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

Board Leadership Structure

We currently separate the roles of the Chairman of the Board and Chief Executive Officer. Our Chief Executive Officer sets the strategic direction for the Company, working with the Board, and provides day-to-day leadership, while our Chairman leads the Board in the performance of its duties and serves as the principal liaison between the independent directors and the Chief Executive Officer. The separation of the roles of Chairman and Chief Executive Officer allows our independent Chairman to focus on governance of our Board, Board meeting agenda planning, Board committee responsibilities, investor engagement and outreach on governance matters, and our Chief Executive Officer to focus his attention on our business and execution of our Company’s strategy. While the Board believes that this leadership structure is the most effective for the Company at this time, it continues to evaluate the composition of the Board to determine what leadership structure is most appropriate for the Company and our stockholders.

Risk Oversight

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

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

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

Board and Committee Meetings

For the fiscal year ended December 31, 2020, the Board held 15 meetings and took action by unanimous written consent on 3 occasions. Each director attended over 75% of the aggregate number of meetings of the Board and the meetings held by committees of the Board during the period in which such individual served as a director in 2020.

We have adopted a policy of encouraging, but not requiring, members of the Board to attend our annual meetings of stockholders.

Committees of the Board

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

Audit Committee

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

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

For the fiscal year ended December 31, 2020, the Audit Committee held 4 meetings and took action by unanimous written consent on 1 occasion.

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

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

The report of the Audit Committee appears on page 22 of this Proxy Statement.

Compensation Committee

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

For the fiscal year ended December 31, 2020, the Compensation Committee held 6 meetings and took action by unanimous written consent on 5 occasions.

The Compensation Committee recommends to the Board for its approval our executive officers' annual compensation and long-term incentives and option and other equity grants, reviews management's performance, development and compensation, and administers our incentive plans. The Board has adopted a written charter for the Compensation Committee, a copy of which is publicly available on our website at <https://ir.powerfleet.com/corporate-governance/board-committees>. The Compensation Committee's charter sets forth the responsibilities, authority and specific duties of the Compensation Committee and is reviewed and reassessed annually. The charter specifies that the Compensation Committee has overall responsibility for evaluating and recommending to the Board for approval our director and officer compensation plans, policies and programs. The charter also specifies that the Compensation Committee may form and delegate authority to subcommittees of the Compensation Committee when appropriate; however, the Compensation Committee may not delegate authority to any other persons. As discussed below under "Compensation Discussion and Analysis," for compensation decisions, the Compensation Committee considers recommendations relating to compensation for executive officers (other than our Chief Executive Officer, if any) of our Chief Executive Officer and includes him in its discussions with respect to such compensation, and considers compensation information provided by compensation consultants, if any, retained by the Compensation Committee for such purpose.

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

Nominating Committee

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

For the fiscal year ended December 31, 2020, the Nominating Committee held 1 meeting.

The Board has adopted a written charter for the Nominating Committee, which is publicly available on our website at <https://ir.powerfleet.com/corporate-governance/board-committees>. The Nominating Committee's charter authorizes the committee to develop certain procedures and guidelines addressing certain nominating matters, such as procedures for considering nominations made by stockholders, minimum qualifications for nominees and identification and evaluation of candidates for the Board, and the Nominating Committee has adopted procedures addressing the foregoing.

Procedures for Considering Nominations Made by Stockholders. The Nominating Committee has adopted guidelines regarding procedures for nominations to be submitted by stockholders and other third parties, other than candidates who have previously served on the Board or who are recommended by the Board and nominees for the Series A Directors to be elected by holders of our Series A Preferred Stock. These guidelines provide that a nomination must be delivered to our Secretary at our principal executive offices not later than the close of business on the 90th day nor earlier than the close of business on the 120th day prior to the first anniversary of the preceding year's annual meeting; provided, however, that if the date of the annual meeting is more than 30 days before or more than 70 days after such anniversary date, notice by the stockholder must be so delivered not earlier than the close of business on the 120th day prior to such annual meeting and not later than the close of business on the later of the 90th day prior to such annual meeting or the 10th day following the day on which public announcement of the date of such meeting is first made by the Company. In no event will the public announcement of an adjournment, postponement or recess of an annual meeting commence a new time period (or extend any time period) for the giving of a notice as described above. The guidelines require a nomination notice to set forth as to each person whom the stockholder proposes to nominate for election as a director: (i) all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to and in accordance with Section 14(a) of the Exchange Act, including a reasonably detailed description of all direct and indirect compensation and other material monetary agreements, arrangements or understandings during the past three years, as well as any other material relationships, between or among such stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made and its affiliates and associates, or others acting in concert therewith, on the one hand, and each proposed nominee and his or her affiliates, associates or others acting in concert therewith, on the other hand, (ii) such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected, (iii) all information with respect to such proposed nominee that would be required to be set forth in a stockholder's notice as to any other business that a stockholder proposes to bring before the meeting, as set forth in our bylaws, if such proposed nominee were the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made, and (iv) a written representation and agreement (in the form provided by the Secretary upon written request) that the proposed nominee (1) is qualified and if elected intends to serve as a director of the Company for the entire term for which such proposed nominee is standing for election, (2) is not and will not become a party to (x) any agreement, arrangement or understanding with, and has not given any commitment or assurance to, any person or entity as to how the proposed nominee, if elected as a director of the Company, will act or vote on any issue or question (a "Voting Commitment") that has not been disclosed to the Company or (y) any Voting Commitment that could limit or interfere with the proposed nominee's ability to comply, if elected as a director of the Company, with the proposed nominee's fiduciary duties under applicable law, (3) is not and will not become a party to any agreement, arrangement or understanding with any person or entity other than the Company with respect to any direct or indirect compensation, reimbursement or indemnification in connection with service or action as a director that has not been disclosed therein, and (4) if elected as a director of the Company, the proposed nominee would be in compliance and will comply, with all applicable publicly disclosed corporate governance, ethics, conflict of interest, confidentiality and stock ownership and trading policies and guidelines of the Company. The Nominating Committee's policy is to consider all persons proposed to be nominated for election as a director in accordance with these procedures.

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

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

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

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

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

Third Party Recommendations. With respect to the directors to be elected at the Annual Meeting, the Nominating Committee did not receive any nominations from any stockholder or group of stockholders which owned more than 5% of our common stock for at least one year.

Compensation of Directors

General

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

Employee Directors

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

Non-Employee Directors

On August 1, 2017, the Board adopted a non-employee director compensation program pursuant to which non-employee directors are entitled to receive annual compensation having economic value of approximately \$119,000, which includes a cash retainer of \$59,000 and restricted stock grants with an economic value of approximately \$60,000. The cash retainer may be paid, at each director's election, in cash or in restricted shares of our common stock. Each of Mr. Bjork and Ms. Srinivasan, as the Series A Directors, agreed to waive participation in the Company's non-employee director compensation program. Each of the non-employee directors, other than the Series A Directors, elected to be paid his retainer for 2020 in restricted shares of our common stock. With respect to restricted stock awards, the number of shares issuable was calculated based on the average of the reported closing price per share of our common stock on the Nasdaq Global Market over a twenty (20) consecutive trading day period prior to approval by the Board of such grants.

The Chairman of the Board and the chairperson of each of the committees of the Board are also entitled to a supplemental retainer, which may be paid, at each director's election, in cash or in restricted shares of our common stock. Specifically, the Chairman of the Board receives an additional \$36,000 per year of service; the chairperson of the Audit Committee receives an additional \$18,000 per year of service; the chairperson of the Compensation Committee receives an additional \$12,000 per year of service; and the chairperson of the Nominating Committee receives an additional \$10,000 per year of service. Each of the non-employee directors, other than the Series A Directors, elected to be paid his supplemental retainer in 2020 in restricted shares of our common stock.

Our non-employee directors are entitled to participate in the 2018 Plan. Non-employee directors are eligible to be awarded non-qualified stock options, shares of restricted stock, stock appreciation rights and other awards under the 2018 Plan. A recipient of restricted stock under the 2018 Plan is entitled to vote such shares and would be entitled to dividends, if any, paid on such shares, but is not entitled to dispose of such shares until they have vested in accordance with the terms of the applicable award.

During the fiscal year ended December 31, 2020, each of Michael Brodsky, Michael Casey, and Charles Frumberg was awarded an aggregate of 34,770, 28,842 and 25,053 in restricted shares of common stock, respectively, in consideration for his services as a director of the Company. All of these awards were made pursuant to the 2018 Plan. Each of such restricted stock awards were granted on July 10, 2020. All such restricted stock awards vest as to 100% of such shares on the first anniversary of the date of grant, provided that the non-employee director is then serving as a director of the Company. Each of Mr. Bjork and Ms. Srinivasan, as the Series A Directors, agreed to waive participation in the Company's 2018 Plan and did not receive any compensation for their service as directors during the fiscal year ended December 31, 2020. Mr. Mahlab's director compensation is included in the "Summary Compensation Table" below.

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

The following table provides certain information with respect to the compensation paid to our non-employee directors during the fiscal year ended December 31, 2020.

Name	Fees Earned or Paid in Cash (\$(1)(3)(4))	Stock Awards (\$(2)(3)(4))	Option Awards (\$(5))	Total (\$)
Anders Bjork ⁽⁶⁾	-	-	-	-
Michael Brodsky.....	\$ 105,000	\$ 54,568	-	\$ 159,568
Michael Casey.....	\$ 77,000	\$ 54,568	-	\$ 131,568
Charles Frumberg.....	\$ 59,000	\$ 54,568	-	\$ 113,568
Medhini Srinivasan ⁽⁶⁾	-	-	-	-

- (1) The amount under this column with respect to each of Michael Brodsky, Michael Casey and Charles Frumberg reflects the dollar amount of fees for which such non-employee director elected to be paid in restricted shares of our common stock in lieu of cash, which shares were issued under the 2018 Plan on July 10, 2020. The number of restricted shares issued to each such non-employee director in lieu of cash was calculated based on the average of the reported closing price per share of our common stock on the Nasdaq Global Market over a twenty (20) consecutive trading day period prior to approval by the Board of such grants. Messrs. Brodsky, Casey and Frumberg were granted 22,138, 16,210 and 12,421 restricted shares of our common stock, respectively, in lieu of cash, the aggregate grant date fair value of which, computed in accordance with ASC 718, disregarding any service-based vesting conditions, is \$95,636, \$70,027 and \$53,659, respectively.
- (2) The amounts under this column reflect the sum of the aggregate grant date fair value of 12,632 restricted shares of our common stock granted to each of Michael Brodsky, Michael Casey and Charles Frumberg under the 2018 Plan on July 10, 2020, each computed in accordance with ASC 718, disregarding any service-based vesting conditions. For a discussion of the assumptions we made in valuing the stock awards, see “Note 2[Q] – Summary of Significant Accounting Policies – Stock-based compensation” and “Note 10 – Stock-Based Compensation” in the notes to our consolidated financial statements contained in the 2020 Annual Report. The amounts set forth under this column do not include the restricted shares of common stock granted in lieu of cash for fees set forth under the column “Fees Earned or Paid in Cash.”
- (3) Each of the restricted stock awards granted to Messrs. Brodsky, Casey and Frumberg will vest in full on July 10, 2021, provided that such non-employee director is then serving as a director of the Company on such date.
- (4) At December 31, 2020, Michael Brodsky held 34,770 shares of unvested restricted stock, Michael Casey held 28,842 shares of unvested restricted stock, Charles Frumberg held 25,053 shares of unvested restricted stock, and neither Anders Bjork nor Medhini Srinivasan held any shares of unvested restricted stock.
- (5) At December 31, 2020, Michael Brodsky held options to purchase 95,000 shares of our common stock and each of Michael Casey and Charles Frumberg held options to purchase 45,000 shares of our common stock. Neither Anders Bjork nor Medhini Srinivasan held any options to purchase shares of our common stock at December 31, 2020.
- (6) Anders Bjork and Medhini Srinivasan did not receive any compensation for their service as directors during the fiscal year ended December 31, 2020.

Process for Sending Communications to the Board of Directors

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

Code of Ethics

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

Certain Relationships and Related Transactions

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

In accordance with its charter, the Audit Committee is responsible for annually reviewing any transactions or series of similar transactions to which we are or were a party and in which any director, executive officer or beneficial holder of more than 5% of any class of our voting securities, or members of any such person’s immediate family, have had or will have a direct or indirect material interest. Our Audit Committee’s procedures for reviewing related party transactions are not in writing. Except as described below, since January 1, 2019, there has not been, nor is there currently proposed, any transaction or series of similar transactions to which the Company is or was a party in which the amount involved exceeds \$120,000 and in which any director, executive officer or beneficial holder of more than 5% of any class of our voting securities, or members of any such person’s immediate family, have had or will have a direct or indirect material interest. As of May 25, 2021, our common stock is the Company’s only class of voting securities.

Investment and Transaction Agreement

On March 13, 2019, we entered into the Investment Agreement pursuant to which, on October 3, 2019, we issued and sold to the Investors (i) 50,000 shares of our Series A Preferred Stock for an aggregate purchase price of \$50,000,000, and (ii) convertible unsecured promissory notes in the aggregate principal amount of \$5,000,000 (the “Notes”). On May 13, 2020, the Company and the Investors amended and restated the Notes to, among other things, (i) remove the conversion feature of the Notes, (ii) provide for certain mandatory prepayment obligations of the Company on or following October 1, 2020, and (iii) extend the maturity date of the Notes to March 31, 2021. The Notes bore interest at 10% per annum. On October 1, 2020, we repaid in full the aggregate principal amount of \$5,000,000 and accrued interest under the Notes. The net proceeds from the issuance and sale of the 50,000 shares of Series A Preferred Stock were used to fund our acquisition of Pointer. A portion of the proceeds from the Notes were used to pay expenses related to such acquisition and the remaining proceeds may be used for general corporate purposes. As a result of the issuance of the shares of Series A Preferred Stock to the Investors, ASE and ABRY Senior Equity Holdings V, LLC, a Delaware limited liability company (“ASEH”), became beneficial owners of more than 5% of our outstanding common stock.

REPORT OF THE AUDIT COMMITTEE

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

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

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

The Audit Committee reviewed the Company's audited financial statements for the year ended December 31, 2020 and met with both management and Ernst & Young LLP to discuss those financial statements and Ernst & Young LLP's related opinion.

The Audit Committee has discussed with Ernst & Young LLP the matters required to be discussed by Statement on Auditing Standards No. 1301, Communications with Audit Committees.

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

Based on its review and the meetings, discussions and reports described above, and subject to the limitations of its role and responsibilities referred to above and in its charter, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements of the Company for the fiscal year ended December 31, 2020, be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2020 for filing with the SEC.

Members of the Audit Committee:

Michael Casey, Chairperson
Michael Brodsky
Charles Frumberg

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Introduction

This discussion presents the principles underlying our executive officer compensation program. Our goal in this discussion is to provide the reasons why we award compensation as we do and to place in perspective the data presented in the tables that follow this discussion. The focus is primarily on compensation of our executive officers for the fiscal year ended December 31, 2020, but some historical and forward-looking information is also provided to put such year's compensation information in context. The information presented herein relates to the following individuals who are considered "named executive officers," under applicable rules and regulations of the SEC, each of whom is sometimes referred to in this Proxy Statement as a "Named Executive Officer:" (i) Chris Wolfe, who served as the Company's Chief Executive Officer during the fiscal year ended December 31, 2020, (ii) Ned Mavrommatis, who served as the Company's Chief Financial Officer during the fiscal year ended December 31, 2020, (iii) David Mahlab, who served as the Company's Chief Executive Officer International from October 3, 2019 through January 31, 2020, and (iv) Elizabeth Elkins, who served as the Company's Chief Product Officer during the fiscal year ended December 31, 2020 since January 27, 2020. Following the accounting treatment of the Transactions, I.D. Systems was determined to be the accounting acquirer. As a result, for Messrs. Wolfe and Mavrommatis, who were executives of I.D. Systems prior to the completion of the Transactions, the following discussion and compensation tables reflect compensation related to their service with I.D. Systems and the Company during all of 2019. For Mr. Mahlab, who served as an executive officer of Pointer prior to the completion of the Transactions, the compensation presented includes only compensation related to his service as an executive of the Company (i.e., from October 3, 2019 through January 31, 2020).

Compensation Philosophy and Objectives

We attempt to apply a consistent philosophy to compensation for all employees, including senior management. This philosophy is based on the premises that our success is dependent upon the efforts of each employee and that a cooperative, team-oriented environment is an essential part of our culture. We believe in the importance of rewarding our employees for our successes, which is why we emphasize pay-for-performance incentive compensation. Particular emphasis is placed on broad employee equity participation through the use of stock options and restricted stock awards, as well as on annual cash bonuses linked to achievement of our corporate performance goals. We considered the results of the "say on pay" proposal with respect to executive compensation presented to the stockholders at our 2020 annual meeting held on July 9, 2020, and in light of the support the proposal received, we continue to emphasize pay-for-performance incentive compensation, as explained in detail in this Compensation Discussion and Analysis.

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

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

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

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

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

The Compensation Committee monitors the results of the annual advisory “say-on-pay” proposal and incorporates such results as one of many factors considered in connection with the discharge of its responsibilities. At our 2020 annual meeting of stockholders, the stockholders approved, on an advisory basis, the compensation of the Named Executive Officers, and in light of such approval, the Compensation Committee continued with its performance-based compensation philosophy and its balanced approach to the components of its compensation program.

Elements of Executive Officer Compensation

Base Salary. We pay our executive officers a base salary, which we review and determine annually. We believe that a competitive base salary is a necessary element of any compensation program. We believe that attractive base salaries can motivate and reward executives for their overall performance. Base salaries are established in part based on the particular executive’s position, responsibility, experience, skills and expected contributions during the coming year and such individual’s performance during the prior year. We also have generally sought to align base compensation levels comparable to our competitors and other companies in similar stages of development. We do not view base salaries as primarily serving our objective of paying for performance, but in attracting and retaining the most qualified executives necessary to run the Company’s business. The Company continues to focus on pay-for-performance structure, which is discussed below.

On May 28, 2020, the Board approved certain temporary compensation actions in response to the impact and uncertainty caused by the global outbreak of COVID-19. Beginning with the pay period ending on May 31, 2020 and through the remainder of the 2020 fiscal year, the base salaries of all salaried employees in the United States, including Chris Wolfe, our Chief Executive Officer, Ned Mavrommatis, our Chief Financial Officer, and Elizabeth Elkins, our Chief Product Officer, were reduced by 15%. We took these and other actions to preserve cash in 2020 and issued to each employee affected by such compensation changes restricted stock in an amount equivalent to such employee’s salary reduction, which grants will vest in full on December 31, 2021.

In addition on May 28, 2020, following a review of peer group data provided by, and based on the advice of, Korn Ferry, the Company’s independent compensation consultant (“Korn Ferry”), the Board also approved an increase in Mr. Wolfe’s annual base salary from \$325,000 to \$400,000. However, in light of the impact of COVID-19, such increase did not go into effect until January 1, 2021, and the Board approved grants of restricted stock to Mr. Wolfe to be issued on the last day of each calendar month in 2020, commencing with a grant on May 31, 2020 in an amount equivalent to \$41,667 with all remaining grants in 2020 equal to an amount equivalent to \$8,333 per month. All such restricted stock grants vested in full on December 31, 2020.

Cash Incentive Bonus Programs. The primary objective of our annual cash incentive bonus program is to motivate and reward our employees, including our Named Executive Officers, for meeting our short-term objectives using a pay-for-performance program with objectively determinable performance goals. Each of Messrs. Wolfe and Mavrommatis was eligible to receive a cash incentive bonus under our Executive Incentive Plan (“EIP”) for the fiscal year ended December 31, 2020, which is discussed below.

Executive Incentive Plan. On May 28, 2020, the Board approved the EIP for 2020. The objectives of the EIP are to align the interests of senior management with the Company’s performance goals. The EIP focuses on rewarding executives for the achievement of financial objectives with competitive financial incentives and provides a systemic plan for establishing definitive performance goals. Under the EIP for 2020, the Company’s performance goals are based on (i) revenue growth, (ii) “adjusted EBITDA,” which for these purposes is defined as the earnings before interest, taxes, depreciation and amortization, excluding stock-based compensation and one-time extraordinary expenses as approved by the Board or the Compensation Committee, (iii) the Company’s cash at December 31, 2020 (excluding cash proceeds received from certain one-time transactions), and (iv) individual objectives for each executive. Executives are eligible to be awarded bonus compensation based on the Company’s annual results.

The EIP for 2020 may be modified or terminated by the Board at any time, but incentive awards that have been earned by the participating Named Executive Officers through the date of termination of the EIP will be payable. In addition, target awards and weightings may be modified by the Board during the plan year based upon a shift in focus or changing industry standards, or any other factors that the Board deems appropriate. The Board has the authority to administer the EIP for 2020 and has the final decision on any discrepancies in interpretation of the EIP for 2020

Awards under the EIP for 2020 were calculated as a percentage of the executive's base salary. The target award under the EIP for 2020 for Chris Wolfe was set at 100% of his base salary and for Ned Mavrommatis was set at 75% of his base salary and may be payable either 100% in restricted stock or 50% in cash and 50% in restricted stock based on certain criteria. 25% of each executive's target award under the EIP for 2020 could be earned based on the following metrics: (i) the Company having at least \$14.5 million in cash at December 31, 2020 (excluding cash proceeds received from certain one-time transactions), (ii) the achievement of at least \$7.8 million in adjusted EBITDA for the 2020 fiscal year, (iii) the achievement of at least \$117.6 million in revenue for the 2020 fiscal year, and (iv) certain individual objectives. Based on the Company's financial results for the fiscal year ended December 31, 2020 and the results of each executive's applicable individual objectives, each of Chris Wolfe and Ned Mavrommatis received annual bonuses under the EIP for 2020 in the aggregate amount of \$297,000 and \$223,312, respectively. Of the \$297,000 awarded to Mr. Wolfe, \$148,500 was paid in cash and \$148,500 was paid in restricted shares of common stock. Of the \$223,312, awarded to Mr. Mavrommatis, \$111,656 was paid in cash and \$111,656 was paid in restricted shares of common stock.

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

Historically, other than the EIP, the Company did not have any program, plan or obligation under which it was required to grant equity compensation to any executive officer on specified dates or upon the achievement of certain performance goals. The authority to make equity grants to executive officers rests with the Compensation Committee and the Board, although, as noted, the Compensation Committee and the Board do consider the recommendations of our Chief Executive Officer in setting the compensation of our other executive officers.

The number of restricted shares of our common stock and options to purchase our common stock granted to and held by our Named Executive Officers are set forth in the "Summary Compensation Table" and the "Grants of Plan-Based Awards" table below.

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

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

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

Peer Group

In making decisions regarding the compensation of our executive officers, the Compensation Committee generally considers compensation and survey data for similarly situated executives at companies with comparable revenue, market capitalization and businesses as the Company. The Compensation Committee utilized as a reference for determining competitive total compensation packages for our Named Executive Officers for 2020, our peer group of companies that were identified by Korn Ferry, the compensation consultant retained by the Compensation Committee in 2020. These comparison data are primarily used to gauge the reasonableness and competitiveness of executive compensation decisions. The peer group of companies determined by Korn Ferry was based on revenue, market capitalization, business fit and peer groups identified by prior compensation consultants.

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

The following companies were identified as members of our peer group by Korn Ferry in 2020:

AIRGAIN, INC.
AMERICAN SOFTWARE, INC.
CALAMP CORP.
CALIX, INC.
DIGI INTERNATIONAL INC.
EMCORE CORPORATION
GLOBAL STAR, INC
INDENTIVE, INC.
INSEEGO COPR.
ITERIS, INC.

KVH INDUSTRIES INC.
NAPCO SECURITY TECHNOLOGIES, INC.
ONESPAN INC
ORBCOMM, INC.
PERCEPTRON, INC.
SIERRA WIRELESS, INC.
SUPPORT.COM, INC.
SYCHRONOSS TECHNOLOGIES, INC.
TELENAV, INC.

Regulatory Considerations

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

Employment Agreements

David Mahlab entered into an employment agreement with Pointer dated February 2, 2011, which provided Mr. Mahlab with certain severance and related benefits to be paid upon the termination of his services with Pointer. David Mahlab retired from his role as Chief Executive Officer International of the Company effective as of January 31, 2020 and in connection with such retirement, the Company and Pointer entered into a Termination of Employment by Mutual Consent Agreement dated December 11, 2019 with Mr. Mahlab (the “Termination Agreement”) reflecting the terms and conditions of Mr. Mahlab’s transition from his role and providing for the termination of employment under Mr. Mahlab’s employment agreement.

The Company has not entered into employment agreements with Messrs. Wolfe or Mavrommatis or Ms. Elkins, who serve at the discretion of the Board, with no fixed term of employment.

Severance Agreements

The Company is a party to severance agreements with each of Messrs. Wolfe and Mavrommatis, which provide each such executive with certain severance and change in control benefits upon the occurrence of certain events.

The severance agreement with Mr. Wolfe provides Mr. Wolfe with certain severance and change in control benefits upon the occurrence of a “Trigger Event,” which will have occurred if the Company terminates Mr. Wolfe without cause, or upon the occurrence of a “Change in Control Trigger Event,” which will have occurred if the Company terminates Mr. Wolfe without cause or Mr. Wolfe resigns for good reason, each within six months following a change in control event (as defined in the severance agreement). Under the terms of the severance agreement with Mr. Wolfe, subject to Mr. Wolfe’s delivery of a general release to the Company, Mr. Wolfe is entitled to the following: (i) cash payments either (A) at the rate of Mr. Wolfe’s annual base salary, in the case of a Trigger Event, or (B) at twice the rate of Mr. Wolfe’s annual base salary, in the event of a Change in Control Trigger Event, in each case, as in effect immediately prior to such Trigger Event or Change in Control Trigger Event, as the case may be, for a period of 12 months, made as a series of payments that are payable in accordance with the Company’s standard payroll practices; (ii) a waiver of any remaining portion of Mr. Wolfe’s healthcare continuation payments under COBRA for the 12-month severance period, provided that Mr. Wolfe timely elects COBRA coverage and continues to make contributions for such coverage equal to his contribution amount in effect immediately preceding the date of his termination of employment; (iii) partial accelerated vesting of Mr. Wolfe previously granted stock options and restricted stock awards, such that (to the extent not already then vested) a portion of these awards shall vest and/or become exercisable, in each case on a pro-rated basis that takes into account the number of months elapsed since the date of grant as compared to the scheduled vesting date (provided that the terms of the Company’s equity incentive plans will continue to govern acceleration of vesting in the event of a change of control as defined in such plan); and (iv) in the event of a Change in Control Trigger Event, a pro rata portion of any bonus that would have been payable to Mr. Wolfe with respect to the year of termination based on the achievement of predetermined objectives used to determine the Company’s performance.

The severance agreement with Mr. Mavrommatis provides Mr. Mavrommatis with certain severance and change in control benefits upon the occurrence of a “Trigger Event,” which will have occurred if the Company terminates Mr. Mavrommatis without cause or Mr. Mavrommatis resigns for good reason within six months following a change in control event (as defined in the severance agreement). Under the terms of the severance agreements with Mr. Mavrommatis, subject to Mr. Mavrommatis’s delivery of a general release to the Company, Mr. Mavrommatis is entitled to the following: (i) cash payments at the rate of his annual base salary as in effect immediately prior to the Trigger Event for a period of 12 months, made as a series of payments that are payable in accordance with the Company’s standard payroll practices; (ii) a waiver of any remaining portion of his healthcare continuation payments under COBRA for the 12-month severance period, provided that Mr. Mavrommatis timely elects COBRA coverage and continues to make contributions for such coverage equal to his contribution amount in effect immediately preceding the date of his termination of employment; and (iii) partial accelerated vesting of his previously granted stock options and restricted stock awards, such that (to the extent not already then vested) a portion of these awards shall vest and/or become exercisable, in each case on a pro-rated basis that takes into account the number of months elapsed since the date of grant as compared to the scheduled vesting date (provided that the terms of the Company’s equity incentive plans will continue to govern acceleration of vesting in the event of a change of control as defined in such plan).

As a condition to the Company’s obligations under the severance agreements, each of Messrs. Wolfe and Mavrommatis is required to execute and deliver to the Company a restrictive covenants agreement containing covenants regarding confidentiality, assignment of inventions, non-competition and non-solicitation. These restrictive covenants will remain in effect during the applicable severance period.

On December 11, 2019, in connection with Mr. Mahlab’s retirement from his role as Chief Executive Officer International of the Company, the Company and Pointer entered into the Termination Agreement with Mr. Mahlab. The Termination Agreement provides that during the notice period between January 31, 2020 and June 10, 2021 (the “Notice Period”), Mr. Mahlab will continue to receive his salary and all benefits to which he is entitled under the terms of his employment agreement. In addition, all unvested restricted stock, stock options and restricted stock units previously granted to Mr. Mahlab became fully vested as of January 31, 2020 and all of Mr. Mahlab’s outstanding options will remain exercisable for a period of 30 months following January 31, 2020. In consideration for the benefits under the Termination Agreement, Mr. Mahlab agreed to various provisions, including a general release of claims against the Company and an agreement to vote all securities he holds in the Company and its subsidiaries in favor of any sale involving certain subsidiaries of the Company.

In connection with Elizabeth Elkins’s employment with the Company as Chief Product Officer, the Company entered into an employment offer letter with Ms. Elkins, which provides that in the event Ms. Elkins’s employment is terminated by the Company without cause, subject to Ms. Elkins’s delivery of a general release to the Company, she is entitled to cash payments at the rate of her annual base salary for a period of 6 months, made as a series of payments that are payable in accordance with the Company’s standard payroll practices.

Compensation Tables

The following table, which should be read in conjunction with the explanations provided above, sets forth summary compensation information for the years ended December 31, 2020, 2019 and 2018 for our Named Executive Officers.

Summary Compensation Table

Name and Principal Position	Year	Salary (\$)	Bonus (\$) ⁽¹⁾	Stock Awards (\$) ⁽²⁾	Option Awards (\$) ⁽²⁾	Non-Equity	All Other Compensation (\$) ⁽⁴⁾	Total (\$)
						Incentive Plan Compensation (\$) ⁽³⁾		
Chris Wolfe,..... Chief Executive Officer	2020	424,675 ⁽⁵⁾	—	—	885,500	297,000	10,505	1,617,680
	2019	325,000	—	336,135	832,880	48,750	10,776	1,553,541
	2018	303,125 ⁽⁶⁾	46,869	525,707	—	43,500	12,087	931,288
Ned Mavrommatis Chief Financial Officer, Treasurer and Corporate Secretary	2020	299,704 ⁽⁷⁾	—	—	379,500	223,312	30,328	932,844
	2019	300,000 ⁽⁸⁾	—	220,201	543,314	33,750	29,403	1,126,668
	2018	283,250	26,858	400,539	—	28,467	31,415	770,529
David Mahlab, Chief Executive Officer International ⁽⁹⁾	2020	29,807	—	108,229 ⁽¹⁰⁾	—	—	457,872	595,908
Elizabeth Elkins, Chief Product Officer ⁽¹²⁾	2019	83,037	—	281,584	484,918	— ⁽¹¹⁾	32,717	882,256
	2020	257,102 ⁽¹²⁾	—	113,100	49,171	—	—	419,373

- (1) The dollar amount shown under the heading “Bonus” with respect to each of Chris Wolfe and Ned Mavrommatis for 2018 represents discretionary cash bonuses earned for 2018 in the amounts of \$46,869 and \$26,858, respectively, that were approved by the Board and paid in 2019.
- (2) The dollar amount shown under the headings “Stock Awards” and “Option Awards” with respect to each of the Named Executive Officers for the fiscal years ended December 31, 2020, 2019 and 2018 reflect the aggregate grant date fair value of restricted stock and option awards granted in the fiscal year indicated, computed in accordance with ASC 718, disregarding service-based vesting conditions. For a discussion of the assumptions we made in valuing the stock and option awards, see “Note 2[Q] — Summary of Significant Accounting Policies — Stock-based compensation” and “Note 10 — Stock-Based Compensation” in the notes to our consolidated financial statements contained in our Annual Report.
- (3) The dollar amount shown under the heading “Non-Equity Incentive Plan Compensation” (i) for each of Chris Wolfe and Ned Mavrommatis for 2020 represents bonus earned for such fiscal year pursuant to the Executive Incentive Plan for 2020, (ii) for each of Chris Wolfe and Ned Mavrommatis for 2019 represents bonus earned for such fiscal year pursuant to the Executive Incentive Plan for 2019, and (iii) for each of Chris Wolfe and Ned Mavrommatis for 2018 represents bonus earned for such fiscal year pursuant to the Executive Incentive Plan for 2018.
- (4) The dollar amounts shown under the heading “All other compensation” represent the incremental cost of all perquisites and other personal benefits to our Named Executive Officers for automobile allowance and related expenses, health insurance premiums and, with respect to David Mahlab, payments mandated by Israeli law to advanced education funds, managers’ insurance and pension funds, vacation pay and recuperation pay (the “Social Benefit Payments”) and severance payments made pursuant to the Termination Agreement. The automobile allowance and related expenses for 2020 for each of Ned Mavrommatis and David Mahlab were \$13,188 and \$3,055, respectively; the health insurance premiums for 2020 for each of Chris Wolfe and Ned Mavrommatis were \$10,505 and \$17,140, respectively; the Social Benefit Payments for 2020 for David Mahlab were \$7,735 and his severance payments for 2020 were \$447,082. The automobile allowance and related expenses for 2019 for each of Ned Mavrommatis and David Mahlab were \$13,188 and \$11,013, respectively; the health insurance premiums for 2019 for each of Chris Wolfe and Ned Mavrommatis were \$10,776 and \$16,215, respectively; and the Social Benefit Payments for 2019 for David Mahlab were \$21,704. The automobile allowance and related expenses for 2018 for Ned Mavrommatis was \$13,188; and the health insurance premiums for 2018 for each of Chris Wolfe and Ned Mavrommatis were \$12,087 and \$18,227, respectively.
- (5) On May 28, 2020, the Board approved a \$30,469 temporary reduction in Mr. Wolfe’s base salary for the remainder of the 2020 fiscal year and in exchange for such salary reduction, Mr. Wolfe received a grant of 6,414 restricted shares of common stock, which will vest on December 31, 2021. In addition, on May 28, 2020, the Board approved an increase in Mr. Wolfe’s annual base salary from \$325,000 to \$400,000. In lieu of cash payments as a result of such increase to Mr. Wolfe’s annual base salary, Mr. Wolfe received grants of restricted stock to be issued on the last day of each calendar month in 2020, commencing with a grant on May 31, 2020 in an amount equivalent to \$41,667 with all remaining grants in 2020 equal to an amount equivalent to \$8,333 per month, which grants vested in full on December 31, 2020. The dollar amount shown reflects the amount of Mr. Wolfe’s salary for 2020 received in cash and the aggregate grant date fair value of restricted stock received by Mr. Wolfe in lieu of his salary reduction and cash payments for his increased salary.
- (6) Effective as of August 15, 2018, the annual base salary of Chris Wolfe was increased to \$325,000.
- (7) On May 28, 2020, the Board approved a \$28,125 temporary reduction in Mr. Mavrommatis’s base salary for the remainder of the 2020 fiscal year and in exchange for such salary reduction, Mr. Mavrommatis received a grant of 5,921 restricted shares of common stock, which will vest on December 31, 2021. The dollar amount shown reflects the amount of Mr. Mavrommatis’s salary for 2020 received in cash and the aggregate grant date fair value of restricted stock received by Mr. Mavrommatis in lieu of his salary reduction.
- (8) Effective as of January 1, 2019, the annual base salary of Ned Mavrommatis was increased to \$300,000.
- (9) David Mahlab was appointed Chief Executive Officer International effective October 3, 2019 and retired from such role effective as of January 31, 2020. Mr. Mahlab’s base salary and the amounts shown under the heading “All other compensation” were paid in Israeli shekels and, throughout these compensation tables, Israeli shekels have been converted to U.S. dollars using the exchange rate on the last day of each fiscal year (\$1 U.S. dollar = 3.21 Israeli shekels for amounts reported for 2020 and \$1 U.S. dollar = 3.4539 Israeli shekels for amounts reported for 2019).
- (10) On July 10, 2020, Mr. Mahlab was granted 25,053 restricted shares of common stock in consideration for his services as a director of the Company.
- (11) Does not include a bonus in the amount of \$276,933 that Mr. Mahlab earned as an executive of Pointer under Pointer’s executive bonus plan which was adopted prior to the completion of the transaction.

(12) Elizabeth Elkins was appointed Chief Product Officer of the Company on January 27, 2020. Ms. Elkins’s annual base salary is \$275,000. On May 28, 2020, the Board approved a \$25,781 temporary reduction in Ms. Elkins’s base salary for the remainder of the 2020 fiscal year and in exchange for such salary reduction, Ms. Elkins received a grant of 5,428 restricted shares of common stock, which will vest on December 31, 2021. The dollar amount shown reflects the amount of Ms. Elkins’s salary for 2020 received in cash and the aggregate grant date fair value of restricted stock received by Ms. Elkins in lieu of her salary reduction.

Grants of Plan-Based Awards

The following table provides certain information with respect to restricted stock awards and options granted to our Named Executive Officers during the fiscal year ended December 31, 2020.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (\$) ⁽¹⁾			Estimated Future Payouts Under Equity Incentive Plan Awards(#)			All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards (\$) ⁽⁵⁾	
		Threshold	Target	Maximum	Threshold	Target	Maximum					
Chris Wolfe	5/28/2020	100,000	400,000	400,000								
	5/28/2020								350,000 ⁽⁴⁾	\$ 6.28	\$234,500	
	5/28/2020								350,000 ⁽⁴⁾	\$ 6.00	\$651,000	
	5/28/2020							6,414 ⁽²⁾			\$ 30,146	
	5/31/2020							8,865 ⁽³⁾			\$ 41,667	
	6/30/2020							1,804 ⁽³⁾			\$ 8,333	
	7/31/2020							1,860 ⁽³⁾			\$ 8,333	
	8/31/2020							1,483 ⁽³⁾			\$ 8,333	
	9/30/2020							1,480 ⁽³⁾			\$ 8,333	
	10/31/2020							1,377 ⁽³⁾			\$ 8,333	
	11/30/2020							1,211 ⁽³⁾			\$ 8,333	
12/31/2020							1,122 ⁽³⁾			\$ 8,333		
Ned Mavrommatis	5/28/2020	56,250	225,000	225,000								
	5/28/2020								150,000 ⁽⁴⁾	\$ 6.28	\$100,500	
	5/28/2020								150,000 ⁽⁴⁾	\$ 6.00	\$279,000	
	5/28/2020							5,921 ⁽²⁾			\$ 27,829	
Elizabeth Elkins	1/27/2020	34,375	137,500	137,500					15,000 ⁽⁶⁾	15,000 ⁽⁶⁾	\$ 7.54	\$162,271
	5/28/2020								5,428 ⁽²⁾			\$ 25,512

- (1) The information under “Estimated Future Payouts Under Non-Equity Incentive Plan Awards” relates to bonuses for the fiscal year ended December 31, 2020 payable to our named executive officers based on the achievement of annual company financial goals and individual objectives for 2020 pursuant to our Executive Incentive Plan.
- (2) Represents restricted shares issued under the Company’s 2018 Incentive Plan (the “2018 Plan”) in exchange for a temporary reduction in such Named Executive Officer’s base salary in 2020. 100% of these restricted shares will vest on December 31, 2021.
- (3) Represents restricted shares issued under the 2018 Plan in lieu of cash payments as a result of an increase to Mr. Wolfe’s base salary. 100% of these restricted shares vested on December 31, 2020.
- (4) In connection with the Company’s acquisition of Pointer, the Company previously approved the grants of options to purchase 350,000 shares of the Company’s common stock to Mr. Wolfe and options to purchase 150,000 shares of the Company’s common stock to Mr. Mavrommatis on March 13, 2019 (the “Signing Bonus Options”) and the grants of additional options to purchase 350,000 shares of the Company’s common stock to Mr. Wolfe and additional options to purchase 150,000 shares of the Company’s common stock to Mr. Mavrommatis on October 3, 2019 (the “Closing Bonus Options” and together with the Signing Bonus Options, the “Original Bonus Options”). The Original Bonus Options were subject to the terms of the 2018 Plan, vested upon the attainment of adjusted EBITDA targets for the fiscal years ending December 31, 2020 and December 31, 2021 and became exercisable 180 days after vesting, subject to acceleration in the event of certain change of control transactions. The Signing Bonus Options had an exercise price of \$6.28 per share and the Closing Bonus Options had an exercise price of \$6.00 per share.

In response to the impact of COVID-19, the Board terminated and cancelled the Original Bonus Options and approved the following grants to replace the Original Bonus Options: (i) options to purchase 350,000 shares of the Company’s common stock to Mr. Wolfe and options to purchase 150,000 shares of the Company’s common stock to Mr. Mavrommatis (the “New Signing Options”), which options are subject to the terms of the 2018 Plan, have an exercise price of \$6.28 per share, and will vest and become exercisable in full on December 31, 2022 if the volume weighted average price of the Company’s common stock during a consecutive 30 trading day period (the “30 Day VWAP”) reaches \$12.00 at any point prior to December 31, 2022, and (ii) options to purchase 350,000 shares of the Company’s common stock to Mr. Wolfe and options to purchase 150,000 shares of the Company’s common stock to Mr. Mavrommatis (the “New Closing Options”), which options are subject to the terms of the 2018 Plan, have an exercise price of \$6.00 per share, and will vest and become exercisable immediately upon the Company achieving a 30 Day VWAP of \$10.00.

- (5) Calculated based on the closing price of our common stock, as reported on the Nasdaq Global Market on the date of grant.
- (6) Represents restricted shares and options to purchase shares of our common stock issued under the 2018 Plan to Ms. Elkins. 25% of the restricted shares and the options vest on each of the first, second, third and fourth anniversaries of the date of grant, provided that Ms. Elkins is an employee of the Company on each such date.

Stock Option Exercises and Vesting of Restricted Stock Awards

The following table provides certain information with respect to options that were exercised and shares of restricted stock that vested for each of our Named Executive Officers during the fiscal year ended December 31, 2020.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$) ⁽¹⁾	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting(\$) ⁽²⁾
Chris Wolfe.....	-	-	76,133	528,535
Ned Mavrommatis	17,061	55,960	30,734	207,715
Elizabeth Elkins	-	-	-	-

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

Outstanding Equity Awards at Fiscal Year End

The following table provides certain information concerning outstanding equity awards held by each of our Named Executive Officers at December 31, 2020.

Name	Option Awards				Stock Awards			
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#) ⁽¹⁾	Market Value of Shares or Units of Stock That Have Not Vested (\$) ⁽²⁾	Equity Incentive Plan Awards: Number of Unearned Shares, Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market Value of Unearned Shares, Other Rights That Have Not Vested (\$)
Chris Wolfe.....	100,000		5.21	8/4/2026 ⁽³⁾	84,497	627,813		
	100,000		4.70	12/7/2026 ⁽³⁾				
	40,625	121,875	6.08	1/30/2029 ⁽³⁾				
	39,394	118,182	5.87	11/5/2029 ⁽³⁾				
		350,000	6.28	5/28/2030 ⁽⁴⁾				
	350,000	6.00	5/28/2030 ⁽⁵⁾					
Ned Mavrommatis	40,541		5.93	3/29/2022 ⁽⁶⁾	65,048	483,307		
	40,842		5.71	4/4/2023 ⁽³⁾				
	30,000		4.37	3/24/2026 ⁽³⁾				
	37,500	12,500	6.00	2/17/2027 ⁽³⁾				
	25,000	75,000	6.08	1/30/2029 ⁽³⁾				
	27,273	81,818	5.87	11/5/2029 ⁽³⁾				
	150,000	6.28	5/28/2030 ⁽⁴⁾					
	150,000	6.00	5/28/2030 ⁽⁵⁾					
Elizabeth Elkins		15,000	7.54	1/27/2023 ⁽³⁾	20,428	151,780		

(1) Represents restricted shares issued under the 2007 Equity Compensation Plan, the 2015 Equity Compensation Plan and the 2018 Plan.

(2) Calculated based on \$7.43 per share, the closing price per share of our common stock, as reported on the Nasdaq Global Market, on December 31, 2020.

(3) These option awards vest over a four-year period, such that twenty five (25%) of the award vests each year on the anniversary of the grant date, provided that the holder is employed by the Company on such date.

(4) These option awards will vest and become exercisable in full on December 31, 2022, provided that the holder is employed by the Company on such date, if at any point prior to such date the volume weighted average price of our common stock during a consecutive 30 trading day period (the "30 Day VWAP") reaches \$12.00

(5) These option awards will vest and become exercisable in full immediately upon the 30 Day VWAP reaching \$10.00, provided that the holder is employed by the Company on such date.

(6) One hundred percent (100%) of these option awards vested on the third anniversary of the grant date.

Potential Payments Upon Termination or Change in Control

Potential Payments Upon Termination or Change in Control under Severance Arrangements

As described above under the caption "Severance Arrangements," the Company has entered into severance agreements with Messrs. Wolfe and Mavrommatis. These severance agreements provide for severance payments or other compensation upon the termination of such executive's employment or a change in control with respect to the Company. In addition, on December 11, 2019, the Company entered into the Termination Agreement with Mr. Mahlab which provides for certain payments and other benefits Mr. Mahlab received in connection with his retirement effective as of January 31, 2020. Further, Ms. Elkins is also entitled to certain severance payments pursuant to the terms of her employment offer letter with the Company.

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

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

Our 2015 Plan provides that the Compensation Committee may, at the time of the grant of an award, provide for the effect of a “change in control” on any award, including (i) accelerating or extending the time periods for exercising, vesting in, or realizing gain from any award, (ii) eliminating or modifying the performance or other conditions of an award, (iii) providing for the cash settlement of an award for an equivalent cash value, as determined by the Compensation Committee, or (iv) such other modification or adjustment to an award as the Compensation Committee deems appropriate to maintain and protect the rights and interests of participants upon or following a change in control. The Compensation Committee may, in its discretion and without the need for the consent of any recipient of an award, also take one or more of the following actions contingent upon the occurrence of a change in control: (a) cause any or all outstanding options and stock appreciation rights to become immediately exercisable, in whole or in part; (b) cause any other awards to become non-forfeitable, in whole or in part; (c) cancel any option or stock appreciation right in exchange for a substitute option; (d) cancel any award of restricted stock, stock units, performance shares or performance units in exchange for a similar award of the capital stock of any successor corporation; (e) redeem any restricted stock for cash and/or other substitute consideration with a value equal to the fair market value of an unrestricted share of our common stock on the date of the change in control; (f) cancel any option or stock appreciation right in exchange for cash and/or other substitute consideration based on the value of our common stock on the date of the change in control, and cancel any option or stock appreciation right without any payment if its exercise price exceeds the value of our common stock on the date of the change in control; (g) cancel any stock unit or performance units held by a participant affected by the change in control in exchange for cash and/or other substitute consideration with a value equal to the fair market value per share of common stock on the date of the change in control, or (h) make such other modifications, adjustments or amendments to outstanding awards as the Compensation Committee deems necessary or appropriate.

For purposes of the 2015 Plan, a “change in control” means the occurrence of any of the following events: (i) any person or group (as such terms are used in Section 13(d) and 14(d) of the Exchange Act, but excluding the Company, its affiliates and any person holding securities under employee benefit plan or trust of the Company) is or becomes the beneficial owner of securities of the Company representing 50% or more of either the combined voting power of the Company’s then outstanding securities or the then outstanding shares of our common stock; (ii) any consolidation or merger of the Company where stockholders of the Company, immediately prior to such consolidation or merger, would not, immediately after such consolidation or merger, beneficially own shares representing in the aggregate 50% of more of the combined voting power of the securities of the corporation issuing cash or securities in the consolidation or merger; or (iii) any sale, lease, exchange or other transfer of all or substantially all of the Company’s assets, other than a sale or disposition by the Company of all or substantially all of the Company’s assets to an entity, at least 50% of the combined voting power of the voting securities of which are owned by persons in substantially the same proportion as their ownership of the Company immediately prior to such sale; (iv) the approval by stockholders of the Company of any plan or proposal for the liquidation or dissolution of the Company; or (v) the members of the Board at the beginning of any consecutive 24-calendar-month period (the “Incumbent Directors”) cease for any reason other than due to death to constitute at least a majority of the members of the Board; provided that any member of the Board whose election, or nomination for election by the Company’s stockholders, was approved or ratified by a vote of at least a majority of the members of the Board then still in office who were members of the Board at the beginning of such 24-calendar-month period, shall be deemed to be an Incumbent Director.

Our 2018 Plan provides that, unless the Compensation Committee provides otherwise in advance of the grant, in the event of a “change in control,” if the employee or service provider is terminated other than for “cause” (as defined in the 2018 Plan) within one year of such change in control or leaves for “good reason” (as defined in the 2018 Plan), options and restricted stock (including restricted stock units) shall vest. In addition, unless otherwise determined by the Compensation Committee, the payout of performance stock units and performance shares shall be determined exclusively by the attainment of the performance goals established by the Compensation Committee, which may not be modified after the change in control, and the Company will not have the right to reduce the awards for any other reason.

For purposes of the 2018 Plan, a “change in control” means the occurrence of any of the following events: (i) any person, other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company or a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, becomes the beneficial owner (as such term is defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company’s then outstanding voting securities; (ii) during any period of two consecutive years, individuals who at the beginning of such period constitute the board of directors of the Company and any new director whose election by the board of directors or nomination for election by the Company’s stockholders was approved by a vote of a majority of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof; (iii) the consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least 50% of the total voting power represented by the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation; or (iv) the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all the Company’s assets.

Estimated Payments Upon Termination or Change in Control

The following table shows potential payments to the Company’s Named Executive Officers under existing severance agreements, plans or arrangements in connection with a termination of employment or change in control with respect to the Company. The following table assumes a December 31, 2020 termination or change in control date and uses the closing price of the Company’s common stock on the Nasdaq Global Market on December 31, 2020, \$7.43. The disclosed amounts are estimates only and do not necessarily reflect the actual amounts that would be paid to the Named Executive Officer. These actual amounts would only be known at the time the Named Executive Officers become eligible for payment and would only be payable upon the termination of employment or change in control.

Name	Benefit	Non Change-in-Control Termination (Without Cause or for Good Reason) (\$)	Change-in-Control Termination (Without Cause or for Good Reason) (\$)	Change-in-Control Only (\$)
Chris Wolfe.....	Severance Pay	\$ 400,000	\$ 800,000	\$ —
	Exercise of Vested Stock Options Upon Termination	\$ 60,531 ⁽¹⁾	\$ 1,252,176 ⁽²⁾	\$ 1,252,176 ⁽²⁾
	Realization of Restricted Stock Awards Upon Termination	\$ 184,075 ⁽³⁾	\$ 627,813 ⁽⁴⁾	\$ 627,813 ⁽⁴⁾
Ned Mavrommatis ...	Benefit Continuation	\$ 23,070	\$ 23,070	\$ —
	Severance Pay	\$ 300,000	\$ 300,000	\$ —
	Exercise of Vested Stock Options Upon Termination	\$ 52,924 ⁽¹⁾	\$ 633,763 ⁽²⁾	\$ 633,763 ⁽²⁾
David Mahlab	Realization of Restricted Stock Awards Upon Termination	\$ 151,071 ⁽³⁾	\$ 483,397 ⁽⁴⁾	\$ 483,307 ⁽⁴⁾
	Benefit Continuation	\$ 35,375	\$ 35,375	\$ —
	Severance Pay	\$ 328,417 ⁽⁵⁾	\$ 328,417 ⁽⁵⁾	\$ —
Elizabeth Elkins	Exercise of Vested Stock Options Upon Termination	\$ 299,330 ⁽⁶⁾	\$ 299,330 ⁽⁶⁾	\$ —
	Realization of Restricted Stock Awards Upon Termination	\$ 356,650 ⁽⁷⁾	\$ 356,650 ⁽⁷⁾	\$ —
	Realization of Restricted Stock Unit Awards Upon Termination	\$ 500,797 ⁽⁸⁾	\$ 500,797 ⁽⁸⁾	\$ —
Elizabeth Elkins	Benefit Continuation	\$ 118,665 ⁽⁹⁾	\$ 118,665 ⁽⁹⁾	\$ —
	Severance Pay	\$ 137,500	\$ 137,500	\$ —
	Realization of Restricted Stock Awards Upon Termination	\$ 40,399 ⁽³⁾	\$ 151,780 ⁽⁴⁾	\$ 151,780 ⁽⁴⁾

(1) Pursuant to the option award agreements entered into between the Company and each of Messrs. Wolfe and Mavrommatis, options that have vested as of the date of termination of employment generally are exercisable for a period of three months following the date of termination (or 365 days, in the case of termination of employment resulting from death or disability). Moreover, the terms of the severance agreements entered into between the Company and each of Messrs. Wolfe and Mavrommatis generally provide for accelerated vesting of a portion of the unvested options held by the individual upon the occurrence of a “trigger event” (as defined in such severance agreements) or a “change in control trigger event” (as defined in Mr. Wolfe’s severance agreement).

- (2) The 2007 Plan provides that all outstanding options will become exercisable upon a change in control (as defined in the 2007 Plan). The 2015 Plan provides that upon or in anticipation of any change in control (as defined in the 2015 Plan), the Compensation Committee has the discretion to accelerate the vesting of any outstanding options. The 2018 Plan provides that in the event of a change in control (as defined in the 2018 Plan), option will vest if the employee or service provider is terminated other than for cause within one year of a change in control or leaves for good reason. With respect to the New Signing Options, the vesting will occur on December 31, 2022 if the 30 Day VWAP reaches \$12.00 at any point prior to December 31, 2022. With respect to the New Closing Options, the vesting will occur immediately upon the Company achieving a 30 Day VWAP of \$10.00. Thus, the amounts reported in the table assume the exercise of any outstanding stock options held by Messrs. Wolfe and Mavrommatis at December 31, 2020 that were in-the-money as of such date, and that (i) with respect to option awards issued under the 2015 Plan, the Compensation Committee decided to accelerate the vesting of such outstanding options upon a change in control, (ii) with respect to option awards issued under the 2018 Plan, Messrs. Wolfe and Mavrommatis were terminated other than for cause within one year of a change in control or left for good reason, (iii) with respect to the Signing Bonus Options, the Company achieved a 30 Day VWAP of \$12.00 and (iv) with respect to the Closing Bonus Options, the Company achieved a 30 Day VWAP of \$10.00.
- (3) The terms of the severance agreements entered into between the Company and each of Messrs. Wolfe and Mavrommatis generally provide for accelerated vesting of a portion of the unvested restricted shares held by the individual upon the occurrence of a “trigger event” (as defined in such severance agreements) or a “change in control trigger event” (as defined in Mr. Wolfe’s severance agreement). Ms. Elkins restricted stock award agreement generally provides for accelerated vesting of a portion of the unvested restricted shares held by the individual upon the occurrence of a “trigger event” or a “change in control trigger event”.
- (4) The 2007 Plan provides that all outstanding restricted stock awards will become fully vested upon a change in control (as defined in the 2007 Plan). The 2015 Plan provides that upon or in anticipation of any change in control (as defined in the 2015 Plan), the Compensation Committee has the discretion to accelerate the vesting of any outstanding restricted stock awards. The 2018 Plan provides that in the event of a change in control (as defined in the 2018 Plan), restricted stock will vest if the employee or service provider is terminated other than for cause within one year of a change in control or leaves for good reason. The amounts reported in the table assume that, with respect to restricted stock awards issued under the 2015 Plan, the Compensation Committee decided to accelerate the vesting of such outstanding restricted stock upon a change in control and that, with respect to restricted stock awards issued under the 2018 Plan, Messrs. Wolfe and Mavrommatis and Ms. Elkins were terminated other than for cause within one year of a change in control or left for good reason.
- (5) Represents the actual amount of Mr. Mahlab’s salary paid as severance to Mr. Mahlab in 2020 pursuant to the terms of his Termination Agreement.
- (6) Pursuant to the terms of the Termination Agreement, options to purchase 191,878 shares of the Company’s common stock previously granted to Mr. Mahlab became fully vested as of January 31, 2020, the effective date of his termination. These options will remain exercisable for a period of 30 months following January 31, 2020. The amounts reported in the table assume the exercise of such options at December 31, 2020.
- (7) Pursuant to the terms of the Termination Agreement, 47,490 restricted shares of the Company’s common stock previously granted to Mr. Mahlab became fully vested as of January 31, 2020, the effective date of his termination. The amounts reported in the table reflect the fair value of such restricted shares as of January 31, 2020.
- (8) Pursuant to the terms of the Termination Agreement, restricted stock units for 66,684 shares of the Company’s common stock previously granted to Mr. Mahlab became fully vested as of January 31, 2020, the effective date of his termination. The amounts reported in the table reflect the fair value of the 66,684 shares of the Company’s common stock received upon the vesting of such restricted stock units as of January 31, 2020.
- (9) Represents the actual amount of full contribution to pension fund, study fund, and all other regular payments and benefits (including the company car) that Mr. Mahlab received in 2020 pursuant to the terms of his Termination Agreement.

Risk Considerations

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

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information regarding ownership of shares of our common stock as of May 25, 2021 by:

- each stockholder known by us to own beneficially more than 5% of our outstanding common stock;
- each of our Named Executive Officers;
- each of our current directors and director nominees; and
- all of our current directors and executive officers as a group.

To our knowledge, except as set forth in the footnotes to the table and subject to applicable community property laws, each person or entity named in the table has sole voting and disposition power with respect to the shares set forth opposite such person's or entity's name. The number of shares beneficially owned by each entity, person, director or executive officer is determined in accordance with the rules of the SEC, and the information is not necessarily indicative of beneficial ownership for any other purpose. Under such rules, beneficial ownership includes any shares over which the individual has the sole or shared voting power or investment power and any shares that the individual has the right to acquire within 60 days of May 25, 2021, through the exercise of stock options, warrants or other convertible securities or any other right. Shares of our common stock that a person has the right to acquire within 60 days of May 25, 2021 are deemed outstanding for purposes of computing the percentage ownership of the person holding such rights but are not deemed outstanding for purposes of computing the percentage ownership of any other person (except with respect to the percentage ownership of all directors and executive officers as a group). As used in this Proxy Statement, "voting power" is the power to vote or direct the voting of shares and "investment power" includes the power to dispose or direct the disposition of shares.

The number and percentage of shares beneficially owned is computed on the basis of 35,990,402 shares of our common stock outstanding as of May 25, 2021. The information in the following table regarding the beneficial owners of more than 5% of our common stock is based upon information supplied by our principal stockholders or set forth in Schedules 13D and 13G filed with the SEC. The determination that there were no other persons, entities or groups known to the Company to beneficially own more than 5% of the Company's outstanding common stock was based on a review of all statements filed with the SEC with respect to the Company pursuant to Section 13(d) or 13(g) of the Exchange Act.

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

<u>Name and Address of Beneficial Owner</u>	<u>Number of Shares of Common Stock Beneficially Owned</u>	<u>Percentage of Shares of Common Stock Outstanding⁽¹⁾</u>
<u>5% Stockholders:</u>		
ABRY Senior Equity Holdings V, LLC c/o ABRY Partners II, LLC 888 Boylston Street, Suite 1600 Boston, MA 02199.....	7,477,211 ⁽²⁾	17.20%
Cannell Capital LLC 245 Meriwether Circle Alta, WY 83414.....	2,762,836 ⁽³⁾	7.68%
The Phoenix Holding Ltd. Derech Hashalom 53 Givataim, 53454, Israel.....	2,252,347 ⁽⁴⁾	6.26%
BlackRock, Inc. 55 East 52nd Street New York, NY 10055.....	1,854,858 ⁽⁵⁾	5.15%
<u>Executive Officers:</u>		
Chris Wolfe.....	565,697 ⁽⁶⁾	1.56%
Ned Mavrommatis.....	430,754 ⁽⁷⁾	1.19%
Elizabeth Elkins.....	52,626 ⁽⁸⁾	*
<u>Directors:</u>		
Anders Bjork.....	-	*
Michael Brodsky.....	353,329 ⁽⁹⁾	*
Michael Casey.....	164,875 ⁽¹⁰⁾	*
Charles Frumberg.....	1,591,489 ⁽¹¹⁾	4.42%
David Mahlab.....	607,996 ⁽¹²⁾	1.68%
Medhini Srinivasan.....	-	*
All directors, and executive officers as a group (nine individuals).....	3,766,766 ⁽¹³⁾	10.24%

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- * Represents less than 1% of the outstanding shares of our common stock.
- (1) Ownership percentages are based on 35,990,402 shares of common stock of the Company outstanding as of May 25, 2021.
 - (2) Based on information contained in Amendment No. 3 to Schedule 13D filed with the SEC on February 11, 2021, ABRY Senior Equity Holdings V, LLC (“ASEH”) may be deemed to beneficially own an aggregate of 7,477,211 shares of the Company’s common stock issuable upon conversion of shares of Series A Preferred Stock held directly by ASE and ASECF, with shared voting and dispositive power over such shares. ASE beneficially owns an aggregate of 6,274,876 shares of the Company’s common stock issuable upon conversion of shares of Series A Preferred Stock held directly by it, with shared voting and dispositive power over such shares. ASECF beneficially owns an aggregate of 1,202,335 shares of the Company’s common stock issuable upon conversion of shares of Series A Preferred Stock held directly by it, with shared voting and dispositive power over such shares.
 - (3) Based on information contained in a Schedule 13G filed with the SEC on February 14, 2020, Cannell Capital LLC, a Wyoming limited liability company (“Cannell Capital”), and J. Carlo Cannell, a U.S. citizen who serves as the sole managing member of Cannell Capital, beneficially own an aggregate of 2,762,836 shares of the Company’s common stock, with shared voting and dispositive power over these shares.
 - (4) Based on information contained in Amendment No. 2 to Schedule 13G filed with the SEC on February 11, 2021, The Phoenix Holding Ltd. beneficially owns an aggregate of 2,252,347 shares of the Company’s common stock, with shared voting and dispositive power over these shares.
 - (5) Based on information contained in a Schedule 13G filed with the SEC on February 2, 2021, BlackRock, Inc. beneficially owns an aggregate of 1,854,858 shares of the Company’s common stock, with sole voting and dispositive power over these shares.
 - (6) This number includes (i) 320,644 shares of our common stock issuable upon exercise of options which are currently exercisable or which will become exercisable within 60 days of May 25, 2021; (ii) 6,414 restricted shares of common stock, which shares vest on December 31, 2021, provided that Mr. Wolfe is employed by the Company on such date; (iii) 17,712 restricted shares of common stock, which shares vest on February 24, 2022, provided that Mr. Wolfe is employed by the Company on such date; (iv) 8,741 restricted shares of common stock, 50% of which shares vest on each of January 7, 2022 and January 7, 2023, provided that Mr. Wolfe is employed by the Company on each such date; (v) 29,545 restricted shares of common stock, 33 1/3% of which shares vest on each of November 5, 2021, November 5, 2022 and November 5, 2023, provided that Mr. Wolfe is employed by the Company on each such date; and (vi) 89,655 restricted shares of common stock, 25% of which shares vest on each of February 7, 2022, February 7, 2023, February 7, 2024 and February 7, 2025, provided that Mr. Wolfe is employed by the Company on each such date.
 - (7) This number includes (i) 121,342 shares of our common stock issuable upon exercise of options which are currently exercisable or which will become exercisable within 60 days of May 25, 2021; (ii) 5,921 restricted shares of common stock, which shares vest on December 31, 2021, provided that Mr. Mavrommatis is employed by the Company on such date; (iii) 13,495 restricted shares of common stock, which shares vest on February 24, 2022, provided that Mr. Mavrommatis is employed by the Company on such date; (iv) 5,009 restricted shares of common stock, 50% of which shares vest on each of January 7, 2022 and January 7, 2023, provided that Mr. Mavrommatis is employed by the Company on each such date; (v) 20,455 restricted shares of common stock, 33 1/3% of which shares vest on each of November 5, 2021, November 5, 2022 and November 5, 2023, provided that Mr. Mavrommatis is employed by the Company on each such date; and (vi) 41,379 restricted shares of common stock, 25% of which shares vest on each of February 7, 2022, February 7, 2023, February 7, 2024 and February 7, 2025, provided that Mr. Mavrommatis is employed by the Company on each such date.
 - (8) This number includes (i) 3,750 shares of our common stock issuable upon exercise of options which are currently exercisable or which will become exercisable within 60 days of May 25, 2021; (ii) 11,250 restricted shares of common stock, 33 1/3% of which shares vest on each of January 27, 2022, January 27, 2023 and January 27, 2024, provided that Ms. Elkins is employed by the Company on each such date; (iii) 5,428 restricted shares of common stock, which shares vest on December 31, 2021, provided that Ms. Elkins is employed by the Company on such date; and (iv) 28,448 restricted shares of common stock, 25% of which shares vest on each of February 7, 2022, February 7, 2023, February 7, 2024 and February 7, 2025, provided that Ms. Elkins is employed by the Company on each such date.
 - (9) This number includes (i) 34,770 restricted shares of our common stock, which vest on July 10, 2021, provided that Mr. Brodsky is a director of the Company on such date; (ii) 76,000 shares of our common stock held by Vajra Fund I, L.P., of which Mr. Brodsky is the general partner; and (iii) 95,000 shares of our common stock issuable upon exercise of options which are currently exercisable or which will become exercisable within 60 days of May 25, 2021.

- (10) This number includes (i) 28,842 restricted shares of our common stock, which vest on July 10, 2021, provided that Mr. Casey is a director of the Company on such date; and (ii) 45,000 shares of our common stock issuable upon exercise of options which are currently exercisable or which will become exercisable within 60 days of May 25, 2021.
- (11) This number includes (i) 25,053 restricted shares of our common stock, which vest on July 10, 2021, provided that Mr. Frumberg is a director of the Company on such date; (ii) 22,500 shares of our common stock issuable upon exercise of options which are currently exercisable or which will become exercisable within 60 days of May 25, 2021, and (iii) 1,502,559 shares of our common stock held by Emancipation Capital, LP, a Delaware limited partnership (“Emancipation LP”) and Emancipation Capital SPV IV LLC, a Delaware limited liability company (“Emancipation SPV IV”). Emancipation Management LLC, a New York limited liability company (“Emancipation Management”) serves as the investment manager of Emancipation LP and Emancipation SPV IV. Emancipation Capital LLC, a Delaware limited liability company (“Emancipation Capital”) is the managing member of Emancipation SPV IV. Mr. Frumberg is the managing member of Emancipation Management and Emancipation Capital and shares voting and dispositive power over the shares held by Emancipation LP and Emancipation SPV IV.
- (12) This number includes 191,878 shares of our common stock issuable upon exercise of options which are currently exercisable.
- (13) This number includes an aggregate of 800,114 shares of our common stock issuable upon exercise of options which are currently exercisable or which will become exercisable within 60 days of May 25, 2021.

DELINQUENT SECTION 16(a) REPORTS

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

Based solely upon a review of Forms 3, 4 and 5 and any amendments to those forms that have been furnished to us, we believe that all parties subject to the reporting requirements of Section 16(a) filed all such required reports during and with respect to the fiscal year ended December 31, 2020, except that Chris Wolfe filed late a Form 4 with respect to a transaction that occurred on December 31, 2020.

PROPOSAL NO. 2

RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Change in Independent Registered Public Accounting Firm

On November 12, 2019, the Audit Committee approved the engagement of EY as our independent registered public accounting firm for the fiscal year ended December 31, 2019 and dismissed EisnerAmper LLP (“EisnerAmper”) as our independent registered public accounting firm. EisnerAmper’s audit reports on the consolidated financial statements of I.D. Systems for the fiscal years ended December 31, 2018 and December 31, 2017 did not contain any adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope, or accounting principles.

During the fiscal years ended December 31, 2018 and December 31, 2017, and the subsequent interim period from January 1, 2019 through November 12, 2019, there were (i) no disagreements within the meaning of Item 304(a)(1)(iv) of Regulation S-K between I.D. Systems or the Company and EisnerAmper LLP on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to EisnerAmper LLP’s satisfaction, would have caused EisnerAmper LLP to make reference to the subject matter of the disagreements in connection with its reports on I.D. Systems’ consolidated financial statements for such years, and (ii) no “reportable events” within the meaning of Item 304(a)(1)(v) of Regulation S-K.

During the fiscal years ended December 31, 2018 and December 31, 2017, and the subsequent interim period from January 1, 2019 through November 12, 2019, none of the Company or I.D. Systems, or anyone acting on behalf of the Company or I.D. Systems, has consulted with EY regarding (i) the application of accounting principles to a specific transaction, either completed or proposed, or the type of audit opinion that might be rendered on its consolidated financial statements, and neither a written report nor oral advice was provided to it that EY concluded was an important factor considered by it in reaching a decision as to any accounting, auditing, or financial reporting issue, (ii) any matter that was subject of a disagreement within the meaning of Item 304(a)(1)(iv) of Regulation S-K, or (iii) any “reportable event” within the meaning of Item 304(a)(1)(v) of Regulation S-K.

We previously provided EisnerAmper with a copy of the disclosures above and requested that EisnerAmper furnish us with a letter addressed to the SEC stating whether it agrees with the statements and, if not, stating the respects in which it does not agree. A copy of EisnerAmper’s letter, dated November 15, 2019, was filed as Exhibit 16.1 with our Current Report on Form 8-K filed with the SEC on November 15, 2019.

Fees and Services of Independent Registered Certified Public Accounting Firm

Audit Fees

The aggregate fees billed by EY for professional services rendered for the audit of our annual financial statements, comfort letters, statutory and subsidiary audits, consents and assistance with review of documents filed with the SEC for the fiscal years ended December 31, 2019 and December 31, 2020 were \$942,000 and \$550,000, respectively.

Audit-Related Fees

There were no fees billed by EY for audit-related services reasonably related to the performance of the audit or review of our financial statements during the fiscal years ended December 31, 2019 and December 31, 2020.

Tax Fees

The aggregate fees billed by EY for professional services rendered for tax compliance, tax advice or tax planning during fiscal years ended December 31, 2019 and December 31, 2020 were \$2,500 and \$279,000, respectively.

All Other Fees

The aggregate fees billed by EY for all other services, not included in the above, during the fiscal year ended December 31, 2020 were \$41,500, which primarily consist of fees related to financial reporting advisory services. There were no other fees billed by EY for products or professional services rendered during the fiscal year ended December 31, 2019, other than services described under the captions “Audit Fees” and “Tax Fees” above.

Audit Committee’s Pre-Approval Policies and Procedures

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

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE “FOR” THE RATIFICATION OF THE APPOINTMENT OF ERNST & YOUNG LLP AS THE COMPANY’S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING DECEMBER 31, 2021.

PROPOSAL NO. 3

ADVISORY VOTE ON THE COMPANY'S EXECUTIVE COMPENSATION

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

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

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

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

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

RESOLVED, that the stockholders of PowerFleet, Inc. (the "Company") approve, on an advisory basis, the compensation of the Company's named executive officers set forth in the Compensation Discussion and Analysis, the Summary Compensation Table and the related compensation tables and narrative in the Proxy Statement relating to the Company's 2021 Annual Meeting of Stockholders.

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

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

PROPOSAL NO. 4

APPROVAL OF THE SERIES A PREFERRED AMENDMENT

The Company is asking its stockholders to approve an amendment to the Company's Amended and Restated Certificate of Incorporation to modify certain terms of the Company's Series A Preferred Stock, as described below.

Background

On October 3, 2019, in connection with the completion of the Transactions, the Company issued 50,000 shares of Series A Preferred Stock to the Investors for an aggregate purchase price of \$50,000,000, the proceeds of which were used to finance a portion of the cash consideration payable in the Company's acquisition of Pointer Telocation Ltd. The current terms of the Series A Preferred Stock are described in the Company's Registration Statement on Form S-4/A filed with the SEC on July 23, 2019.

On June 9, 2021, the Company and the Investors entered into a preferred stock redemption right agreement (the "Redemption Right Agreement"), pursuant to which the Company has the right to redeem 10,000 shares of the Series A Preferred Stock at a price of \$1,450 per share plus all accrued and unpaid dividends, to be paid in cash.

The Company's exercise of the redemption right under the Redemption Right Agreement is subject to, among other things, stockholder approval of the Series A Preferred Amendment and the Board's decision to effect the Series A Preferred Amendment and the redemption. Closing of the redemption is also conditioned upon, among other things, the Company having sufficient "surplus" (as defined in the General Corporation Law of the State of Delaware) and funds lawfully available to pay the aggregate redemption price in cash and the Company, after giving effect to the redemption, having (i) net assets (as such term is defined and determined in accordance with Delaware law) greater than zero and greater than the amount which would be required as of the closing date of the redemption to pay the maximum amount which would be owed to stockholders with preferential rights in a liquidation of the Company and (ii) the requisite financial wherewithal to conduct its business, pay any and all liabilities as due and all then-incurred debts as they mature.

The Redemption Right Agreement automatically terminates at 5:30 p.m. on October 1, 2021 if the redemption has not closed.

On June 9, 2021, the Board approved, declared advisable and recommended that the stockholders approve, the Series A Preferred Amendment with the timing of the effectiveness of the Series A Preferred Amendment to be determined by the Board in its sole discretion. The Board may alternatively elect to abandon, and not effect, the proposed Series A Preferred Amendment in its sole discretion. The Company believes that enabling the Board to determine whether to proceed with effecting the Series A Preferred Amendment, and thus, the transactions contemplated by the Redemption Right Agreement, will provide the Company with the flexibility to decide whether to use its available cash to redeem shares of Series A Preferred Stock on the terms and conditions set forth in the Redemption Right Agreement or for general corporate purposes, which may include working capital, capital expenditures and potential acquisitions.

As of May 25, 2021, there were 54,844.166 shares of Series A Preferred Stock outstanding, which were convertible into 7,493,396 shares of common stock.

Description of the Series A Preferred Amendment

The following is a summary comparison of the current provisions of the Amended and Restated Certificate of Incorporation (the "Existing Charter") proposed to be amended and the as amended provisions if the Series A Preferred Amendment becomes effective. This summary is not complete and is qualified in its entirety by reference to the full text of the Certificate of Amendment to the Existing Charter attached to this proxy statement as Annex A.

Election of Directors

Existing Charter Provision

So long as any shares of Series A Preferred Stock remain outstanding and represent 15% or more, on an as-converted basis, of the voting power of the Company's common stock (on a fully diluted basis), the holders of at least a majority of the outstanding shares of Series A Preferred Stock, voting as a separate class, will be entitled to elect two Series A Directors to the Board and any committee or subcommittee thereof (subject to applicable Nasdaq and SEC independence requirements). So long as any shares of Series A Preferred Stock remain outstanding and represent less than 15% but not less than 5%, on an as-converted basis, of the voting power of the Company's common stock (on a fully diluted basis), the holders of at least a majority of the outstanding shares of Series A Preferred Stock, voting as a separate class, will be entitled to elect one Series A Director to the Board and any committee or subcommittee thereof (subject to applicable Nasdaq and SEC independence requirements).

Amended Provision

So long as any shares of Series A Preferred Stock remain outstanding and represent 12% or more, on an as-converted basis, of the Company's then outstanding common stock (on a fully diluted basis calculated using the treasury stock method, as determined in accordance with GAAP, including, without duplication, the number of shares of common stock issuable pursuant to the conversion of all outstanding shares of Series A Preferred Stock and the number of shares of common stock issued or issuable upon the conversion and/or exercise of all outstanding options (assuming net exercise of the outstanding options) and other convertible securities), the holders of at least a majority of the outstanding shares of Series A Preferred Stock, voting as a separate class, will be entitled to elect two Series A Directors to the Board and any committee or subcommittee thereof (subject to applicable Nasdaq and SEC independence requirements). So long as any shares of Series A Preferred Stock remain outstanding and represent less than 12% but not less than 4%, on an as-converted basis, of the Company's then outstanding common stock (on a fully diluted basis calculated using the treasury stock method, as determined in accordance with GAAP, including, without duplication, the number of shares of common stock issuable pursuant to the conversion of all outstanding shares of Series A Preferred Stock and the number of shares of common stock issued or issuable upon the conversion and/or exercise of all outstanding options (assuming net exercise of the outstanding options) and other convertible securities), the holders of at least a majority of the outstanding shares of Series A Preferred Stock, voting as a separate class, will be entitled to elect one Series A Director to the Board and any committee or subcommittee thereof (subject to applicable Nasdaq and SEC independence requirements).

Consent Rights of Series A Preferred Stock

For so long as shares of Series A Preferred Stock are outstanding and convertible into shares of the Company's common stock that represent at least 10% of the voting power of Company's common stock (on a fully diluted basis), or the Investors and their affiliates continue to hold at least 33% of the aggregate amount of Series A Preferred Stock issued to the Investors on the date on which such shares were first issued (the "Original Issuance Date"), the consent of the holders of at least a majority of the outstanding shares of Series A Preferred Stock will be necessary for the Company to, among other things, (i) liquidate the Company or any operating subsidiary or effect any Deemed Liquidation Event (as such term is defined in the Existing Charter), except for a Deemed Liquidation Event in which the holders of Series A Preferred Stock receive an amount in cash not less than the Redemption Price (as such term is defined in the Existing Charter), (ii) amend the Company's organizational documents in a manner that adversely affects the Series A Preferred Stock, (iii) issue any securities that are senior to, or equal in priority with, the Series A Preferred Stock or issue additional shares of Series A Preferred Stock to any person other than the Investors or their affiliates, (iv) incur indebtedness above the agreed-upon threshold, (v) change the size of the Board to a number other than seven, or (vi) enter into certain affiliated arrangements or transactions.

For so long as shares of Series A Preferred Stock are outstanding and convertible into shares of the Company's common stock equal to at least 8% of the Company's then outstanding common stock (on a fully diluted basis calculated using the treasury stock method, as determined in accordance with GAAP, including, without duplication, the number of shares of common stock issuable pursuant to the conversion of all outstanding shares of Series A Preferred Stock and the number of shares of common stock issued or issuable upon the conversion and/or exercise of all outstanding options (assuming net exercise of the outstanding options) and other convertible securities), or at any time when the Investors collectively hold at least 25% of the aggregate amount of Series A Preferred Stock issued to the Investors on the Original Issuance Date, the consent of the holders of at least a majority of the outstanding shares of Series A Preferred Stock will be necessary for the Company to, among other things, (i) liquidate the Company or any operating subsidiary or effect any Deemed Liquidation Event (as such term is defined in the Existing Charter), except for a Deemed Liquidation Event in which the holders of Series A Preferred Stock receive an amount in cash not less than the Redemption Price (as such term is defined in the Existing Charter), (ii) amend the Company's organizational documents in a manner that adversely affects the Series A Preferred Stock, (iii) issue any securities that are senior to, or equal in priority with, the Series A Preferred Stock or issue additional shares of Series A Preferred Stock to any person other than the Investors or their affiliates, (iv) incur indebtedness above the agreed-upon threshold, (v) change the size of the Board to a number other than seven, or (vi) enter into certain affiliated arrangements or transactions.

Preemptive Rights

For so long as at least 25% of the aggregate amount of shares of Series A Preferred Stock issued on the Original Issuance Date are outstanding, each holder thereof will have the right to purchase up to its pro rata share of the securities being issued and sold in any of the Company's future offerings of equity or debt securities, subject to customary exceptions.

For so long as at least 20% of the aggregate amount of shares of Series A Preferred Stock issued on the Original Issuance Date are outstanding, each holder thereof will have the right to purchase up to its pro rata share of the securities being issued and sold in any of the Company's future offerings of equity or debt securities, subject to customary exceptions.

Reasons for the Series A Preferred Amendment

The Board is seeking stockholder approval of the Series A Preferred Amendment because it is necessary for the Company's ability to elect to effect the redemption contemplated by the Redemption Right Agreement. The Redemption Right Agreement provides the Company the right to redeem 10,000 shares of the Series A Preferred Stock at a price of \$1,450 per share, which is lower than the redemption price applicable to the Company's existing redemption right set forth in the Existing Charter, which is exercisable on different terms and conditions. Under the Redemption Right Agreement, the Board has the flexibility to decide whether to use available cash of the Company to redeem shares of Series A Preferred Stock or for general corporate purposes.

Any shares of Series A Preferred Stock so redeemed will no longer be outstanding. As the Series A Preferred Stock has rights, preferences and privileges (which include rights to dividends at an annual rate of 7.5% per annum and redemption at a price of at least 1.5 times the liquidation preference) that are not held by, and are preferential to, the rights of holders of the Company's common stock, the Board believes that reducing the number of shares of Series A Preferred Stock by redeeming a portion thereof will be beneficial to holders of the Company's common stock and will make an investment in the Company more attractive to current and future potential investors. Further, reducing the number of shares of Series A Preferred Stock will correspondingly reduce the number of shares of common stock issuable upon conversion of the Series A Preferred Stock, thereby reducing the potential dilution that a conversion of the Series A Preferred could have to existing Company stockholders.

Effectiveness of the Series A Preferred Amendment

If this proposal is approved by stockholders at the Annual Meeting, the Series A Preferred Amendment would become effective at the time and date set forth in a Certificate of Amendment to the Existing Charter to be filed with the Delaware Secretary of State, a form of which is attached hereto as Annex A. The exact timing of the Series A Preferred Amendment will be determined by the Board based on its evaluation as to when such action will be the most advantageous to the Company and its stockholders. Alternatively, the Board may decide, notwithstanding stockholder approval and without further action by stockholders, to abandon the Series A Preferred Amendment if, at any time prior to the effectiveness of the filing of the Certificate of Amendment with the Delaware Secretary of State, the Board, in its sole discretion, determines that it is no longer in the best interests of the Company and its stockholders to proceed with the Series A Preferred Amendment.

Vote Required

The affirmative vote of the holders of a majority of the outstanding shares of the Company's common stock entitled to vote as of the record date will be required to approve this proposal. Abstentions and broker non-votes, if any, will have the effect of a vote "AGAINST" this proposal.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE "FOR" THE APPROVAL OF THE SERIES A PREFERRED AMENDMENT.

PROPOSAL NO. 5

APPROVAL OF AN AMENDMENT TO THE POWERFLEET, INC. 2018 INCENTIVE PLAN

The Board has adopted and is seeking stockholder approval of an amendment to the 2018 Plan to increase the number of shares of common stock that are available for issuance thereunder by 2,000,000 shares, all of which would be available for issuance as “incentive stock options” within the meaning of Section 422 of the Code. The 2018 Plan was originally approved by the I.D. Systems board of directors on April 25, 2018 and I.D. Systems stockholders originally approved the 2018 Plan on June 14, 2018. The 2018 Plan was subsequently amended and renamed the PowerFleet, Inc. 2018 Incentive Plan in connection with the Transactions.

As of May 25, 2021, 36,507 shares of common stock remained available for issuance pursuant to future grants or awards under the 2018 Plan. The Board believes that an adequate reserve of shares available for issuance under the 2018 Plan is necessary to enable the Company to attract, motivate, and retain key employees, directors, advisors to and consultants through the use of competitive incentives that are tied to stockholder value. The Board has determined that it was in the best interest of the stockholders to adopt and seek stockholder approval of the Plan Amendment. If stockholders do not approve the Plan Amendment, the 2018 Plan will remain in place in accordance with its current terms.

Summary of the 2018 Plan

The following is a summary of the material terms of the 2018 Plan, as amended by the Plan Amendment. This summary is not complete and is qualified in its entirety by reference to the full text of the Plan Amendment which is attached to this Proxy Statement as **Annex B** and the 2018 Plan, as amended by the Plan Amendment, attached to this Proxy Statement as **Annex C**.

Purpose

The 2018 Plan allows the Company to provide employees, consultants, advisors and all members of the Board who are selected to receive awards under the 2018 Plan the opportunity to acquire an equity interest in the Company. The Board believes that equity incentives are a significant factor in attracting and motivating eligible persons whose present and potential contributions are important to the Company.

Key Provisions

The following is a summary of the key provisions of the 2018 Plan:

Plan Termination Date:	Ten years from the effective date, or June 14, 2028.
Eligible Participants:	Employees, directors, consultants and advisors (except that only employees are eligible for Incentive Stock Options).
Shares Authorized:	The sum of: (i) 6,500,000 shares of our common stock, plus (ii) the number of shares of our common stock which remain available for grants of options or other awards under the Company’s 2015 Equity Compensation Plan and 2009 Non-Employee Director Equity Compensation Plan as of the effective date of the 2018 Plan, plus (iii) the number of shares of common stock that, after the effective date of the 2018 Plan, would again become available for issuance pursuant to the reserved share replenishment provisions of the Company’s 2015 Equity Compensation Plan and 2009 Non-Employee Director Equity Compensation Plan as a result of stock options issued thereunder expiring or becoming unexercisable for any reason before being exercised in full, or, as a result of restricted stock being forfeited to the Company or repurchased by the Company pursuant to the terms of the agreements governing such shares.

Award Types:	<ul style="list-style-type: none"> (1) Incentive Stock Options (2) Non-qualified Stock Options (3) Restricted Stock (4) Stock Appreciation Rights (5) Performance Bonus Awards (6) Deferred Stock (7) Restricted Stock Units (8) Dividend Equivalents (9) Performance Stock Units (10) Performance Share Awards (11) Other Stock-Based Awards
Vesting:	Determined by the compensation committee of the Board (the “Compensation Committee”). Subject to the acceleration of vesting in certain circumstances as permitted under the terms of the 2018 Plan, each award under the 2018 Plan will have a minimum vesting period of one year, except that the Compensation Committee may determine in its discretion that up to 5% of the shares of common stock which may be issued under the 2018 Plan may be granted free of such minimum vesting provisions.
Not Permitted:	Repricing of stock options and amendments that under the Code or Nasdaq rules require stockholder approval.
Incentive Stock Option Limit:	No more than 6,000,000 shares may be issued pursuant to incentive stock options.
Limitation on Number of Shares Granted to Independent Directors:	The sum of the grant date fair value of equity-based awards and the amount of any cash-based awards granted to a non-employee director during any calendar year, under the 2018 Plan, may not exceed \$500,000.

New Plan Benefits

We cannot currently determine the awards that may be granted under the Plan in the future to the executive officers named in this Proxy Statement, other officers, non-employee directors or other persons. The Compensation Committee will make such determinations from time to time.

Awards under the 2018 Plan

Stock Options. The 2018 Plan permits the Compensation Committee to issue incentive stock options and non-qualified stock options to participants, which directly link their financial success to that of the Company’s stockholders. The Compensation Committee shall determine the number of shares subject to options and all other terms and conditions of the options, including vesting requirements. In no event, however, may the exercise price of a stock option be less than 100% of the fair market value of the Company’s common stock on the date of the stock option’s grant, nor may any option have a term of more than ten years. Except for adjustments based on changes in the corporate structure or as otherwise provided in the 2018 Plan, the terms of an option may not be amended to reduce the exercise price nor may options be canceled or exchanged for cash, other awards or options with an exercise price that is less than the exercise price of the original options.

Additionally, in the case of an incentive stock option granted to any individual who, at the date of grant, owns stock possessing more than ten percent (10%) of the total combined voting power all classes of stock of the Company, such incentive stock option shall be granted at a price that is not less than one hundred and ten percent (110%) of fair market value on the date of grant and such incentive stock option shall be exercisable for no more than five (5) years from the date of grant.

As of May 25, 2021, the fair market value of a share of the Company's common stock was \$6.49.

Stock Appreciation Rights. The 2018 Plan permits the Compensation Committee to issue stock appreciation rights ("SARs"), either free-standing or in tandem with stock options. The Compensation Committee shall determine the number of SARs to be granted and other terms and conditions of the SARs. In no event, however, may the exercise of a SAR be less than 100% of the fair market value of the Company's common stock on the date of grant, and the terms shall not exceed ten years. SARs may be settled in cash, stock, or a combination of both.

Restricted Stock and Restricted Stock Units. The 2018 Plan permits the Compensation Committee to grant restricted stock awards. Each share of restricted stock shall be subject to such terms, conditions, restrictions, and/or limitations, if any, as the Compensation Committee deems appropriate, including, but not by way of limitation, restrictions on transferability and continued employment. Holders of shares of restricted stock may vote the shares and receive dividends on such shares. Notwithstanding the foregoing, with respect to a share of restricted stock, dividends shall only be paid out to the extent that the share of restricted stock vests. The vesting period for restricted stock shall be determined by the Compensation Committee, which may accelerate the vesting of any such award. The Compensation Committee may also grant restricted stock units, which have substantially the same terms as restricted stock, except that units have no voting rights, and unless otherwise determined by the Compensation Committee, will not receive dividends or dividend equivalents (which in any event shall only be paid out to the extent that the restricted stock units vest). The Compensation Committee may also grant unrestricted stock under this provision.

Performance Shares and Performance Stock Units. The 2018 Plan permits the Compensation Committee to issue "performance shares" and "performance stock units." These are contingent incentive awards that are converted into stock and/or cash and paid out to the participant only if specific performance goals are achieved over performance periods, as set by the Compensation Committee. If the performance goals are not achieved, the awards are canceled or reduced. Performance shares are each equivalent in value to a share of common stock (payable in cash and/or stock), while performance stock units are equal to a specific amount of cash.

Stock Payments and Other Stock-Based Awards. The 2018 Plan also permits the Compensation Committee to grant awards of deferred stock, dividend equivalents, other stock-based awards, and performance bonus awards as provided in the 2018 Plan.

Eligible for Participation. Persons eligible to participate in the 2018 Plan include employees, directors, consultants and advisors, as determined by the Compensation Committee. Approximately 772 employees, 6 nonemployee directors and no consultants and advisors are expected to be eligible to participate in the 2018 Plan.

Available Shares. The 2018 Plan authorizes the issuance of an aggregate number of shares of the Company's common stock equal to the sum of: (i) 6,500,000 shares of the Company's common stock, plus (ii) the number of shares of the Company's common stock which remain available for grants of options or other awards under the Company's 2015 Equity Compensation Plan and 2009 Non-Employee Director Equity Compensation Plan as of the effective date of the 2018 Plan, plus (iii) the number of shares of the Company's common stock that, after the effective date, would again become available for issuance pursuant to the reserved share replenishment provisions of the Company's 2015 Equity Compensation Plan and 2009 Non-Employee Director Equity Compensation Plan as a result of stock options issued thereunder expiring or becoming unexercisable for any reason before being exercised in full, or, as a result of restricted stock being forfeited to the Company or repurchased by the Company pursuant to the terms of the agreements governing such shares. In the event of a stock split, stock dividend, or other change in the corporate structure of the Company, as described in the 2018 Plan, affecting the shares that may be issued under the 2018 Plan, an adjustment shall be made in the number and class of shares which may be delivered under the 2018 Plan (including but not limited to individual grant limits). Upon termination of the 2018 Plan, no further awards may be issued under the 2018 Plan.

Minimum Vesting. Subject to the acceleration of vesting in certain circumstances as permitted under the terms of the 2018 Plan, each award under the 2018 Plan will have a minimum vesting period of one year, except that the Compensation Committee may determine in its discretion that up to 5% of the shares of common stock which may be issued under the 2018 Plan may be granted free of such minimum vesting provisions.

Other Information. The 2018 Plan may be amended in whole or in part by Board or the Compensation Committee with the approval of the Board and in certain circumstances with stockholder approval. Unless the Compensation Committee provides otherwise in advance of the grant, in the event of a Change in Control (as defined in the 2018 Plan), if the employee is terminated other than for “cause” within one year of a Change in Control or leaves for “Good Reason,” options and restricted stock (including restricted stock units) shall vest. In addition, unless otherwise determined by the Compensation Committee, the payout of performance stock units and performance shares shall be determined exclusively by the attainment of the performance goals established by the Compensation Committee, which may not be modified after the Change in Control, and the Company will not have the right to reduce the awards for any other reason. “Good Reason” means in connection with a termination of employment by a participant within one year following a Change in Control, (i) a material adverse alteration in the participant’s position or in the nature or status of the participant’s responsibilities from those in effect immediately prior to the Change in Control, or (ii) any material reduction in the participant’s base salary rate or target annual bonus, in each case as in effect immediately prior to the Change in Control, or (iii) the relocation of the participant’s principal place of employment to a location that is more than 50 miles from the location where the participant was principally employed at the time of the Change in Control or materially increases the time of the participant’s commute as compared to the participant’s commute at the time of the Change in Control (except for required travel on the Company’s business to an extent substantially consistent with the participant’s customary business travel obligations in the ordinary course of business prior to the Change in Control).

In addition, the 2018 Plan provides that if the Company is required to prepare an accounting restatement due to material noncompliance with the financial reporting requirements of the securities laws, in certain cases the Compensation Committee may require the repayment of amounts paid under the 2018 Plan in excess of what the employee would have received under the accounting restatement.

U.S. Federal Income Tax Consequences

The following summary is intended only as a general guide to the U.S. federal income tax consequences under current law of equity-based awards that may be granted under the 2018 Plan. It does not attempt to describe all possible federal or other tax consequences of participation in the 2018 Plan or tax consequences based on particular circumstances. The exact federal income tax treatment of transactions under the 2018 Plan will vary depending upon the specific facts and circumstances involved and participants are advised to consult their personal tax advisors with regard to all consequences arising from the grant or exercise of awards and the disposition of any acquired shares.

Incentive Stock Options. Incentive stock options under the 2018 Plan are intended to be eligible for the favorable tax treatment accorded “incentive stock options” under the Code. There generally are no federal income tax consequences to the participant or the Company by reason of the grant or exercise of an incentive stock option. However, the exercise of an incentive stock option may increase the participant’s alternative minimum tax liability, if any.

If a participant holds stock acquired through exercise of an incentive stock option for at least two (2) years from the date on which the option is granted and at least one (1) year from the date on which the shares are transferred to the participant upon exercise of the option, any gain or loss on a disposition of such stock will be treated for tax purposes as long-term capital gain or loss.

Generally, if the participant disposes of the stock before the expiration of either of these holding periods (a “disqualifying disposition”), then at the time of disposition the participant will realize taxable ordinary income equal to the lesser of (a) the excess of the stock’s fair market value on the date of exercise over the exercise price, or (b) the participant’s actual gain, if any, on the purchase and sale. The participant’s additional gain (or any loss) upon the disqualifying disposition will be a capital gain (or loss), which will be long-term or short-term depending on whether the stock was held for more than one (1) year.

To the extent the participant recognizes ordinary income by reason of a disqualifying disposition, the Company will generally be entitled to a corresponding business expense deduction in the tax year in which the disqualifying disposition occurs.

Non-qualified Stock Options, Restricted Stock Awards, Restricted Stock Units, and Deferred Stock. Non-qualified stock options, restricted stock awards, restricted stock units and deferred stock granted under the 2018 Plan generally have the following federal income tax consequences:

There are no tax consequences to the participant or the Company by reason of the grant of a non-qualified stock option. Upon exercise of the option, the participant ordinarily will recognize taxable ordinary income equal to the excess, if any, of the stock’s fair market value on the exercise date over the exercise price. If the stock received pursuant to the exercise is subject to further vesting requirements, the taxable event will be delayed until the vesting restrictions lapse unless the participant elects under Section 83(b) of the Code to be taxed on receipt of the stock.

There are no tax consequences to the participant or the Company by reason of the grant of restricted stock, restricted stock units or deferred stock awards. The participant ordinarily will recognize taxable ordinary income equal to the excess, if any, of the stock's fair market value over the purchase price, if any, when such award vests. Under certain circumstances, the participant may be permitted to elect under Section 83(b) of the Code to be taxed on the grant date.

With respect to employees, the Company is generally required to withhold from regular wages or supplemental wage payments an amount based on the ordinary income recognized. The Company will generally be entitled to a business expense deduction equal to the taxable ordinary income realized by the participant.

Upon disposition of the stock, the participant will generally recognize a capital gain or loss equal to the difference between the selling price and the sum of the amount paid for such stock (if any) plus any amount recognized as ordinary income upon acquisition (or vesting) of the stock. Such gain or loss will be long-term or short-term depending on whether the stock was held for more than one (1) year.

Stock Appreciation Rights. No taxable income is generally recognized upon the receipt of a SAR, but upon exercise of the SAR, the fair market value of the shares (or cash in lieu of shares) received generally will be taxable as ordinary income to the recipient in the year of such exercise. The Company generally will be entitled to a compensation deduction for the same amount which the recipient recognizes as ordinary income.

Performance Awards. A participant who has been granted a performance award generally will not recognize taxable income at the time of grant, and the Company will not be entitled to a deduction at that time. When an award is paid, whether in cash or common shares, the participant generally will recognize ordinary income, and the Company will be entitled to a corresponding deduction.

Stock Payments and Other Stock-Based Awards. A participant who receives a stock payment in lieu of a cash payment that would otherwise have been made will generally be taxed as if the cash payment has been received, and the Company generally will be entitled to a deduction for the same amount.

Section 409A of the Code. Most of the awards under the 2018 Plan are exempt from Section 409A of the Code. To the extent that any award hereunder could be subject to Section 409A of the Code, it will be structured to comply with Section 409A of the Code.

Section 162(m) of the Code. The Tax Reform and Jobs Act of 2017 (the "Tax Act") generally eliminated the ability to deduct compensation qualifying for the "performance-based compensation" exception under Section 162(m) of the Code for tax years commencing after December 31, 2017. Section 162(m) of the Code imposes a \$1 million limit on the amount that a public company may deduct for compensation paid to anyone who has ever been the Company's chief executive officer, chief financial officer or one of the three highest compensated officers in any fiscal year beginning after December 31, 2016 (i.e., a "covered employee"). For 2017 and prior taxable years, an exception to this deduction limit applied to "performance-based compensation," such as stock options and other equity awards that satisfied certain criteria. Under the Tax Act, the performance-based pay exception to Section 162(m) was eliminated, but a transition rule may allow the exception to continue to apply to certain performance-based compensation payable under written binding contracts that were in effect on November 2, 2017. The Board and the Compensation Committee intend to consider the potential impact of Section 162(m) on grants made under the 2018 Plan, but reserve the right to approve grants of options and other awards for an executive officer that exceeds the deduction limit of Section 162(m). The 2018 Plan is not intended to affect the grandfathered status of awards previously granted under the Company's existing equity incentive plans that were intended to qualify as "performance-based compensation" under Section 162(m).

Equity Compensation Plan Information

The following table provides certain information with respect to the Company's equity compensation plans in effect as of December 31, 2020:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected under column (a)) (c)
Equity compensation plans approved by security holders ⁽¹⁾	3,624,000	\$ 5.85	545,000
Total.....	3,624,000	\$ 5.85	545,000

- (1) These plans consist of the Company's 1999 Stock Option Plan, 2007 Equity Compensation Plan, 2009 Non-Employee Director Equity Compensation Plan, 2015 Equity Compensation Plan and 2018 Incentive Plan, which were the Company's only equity compensation plans under which awards were outstanding as of December 31, 2020. Each of the Company's 1999 Stock Option Plan and 1999 Director Option Plan expired in 2009, and no additional awards may be granted thereunder. The 2007 Equity Compensation Plan expired in 2017, and no additional awards may be granted thereunder. Upon the adoption of the 2018 Incentive Plan, the 2009 Non-Employee Director Equity Compensation Plan and the 2015 Equity Compensation Plan were frozen, and no new awards can be issued pursuant to such plans.

Vote Required for Approval

The affirmative vote of a majority of the votes cast at the Annual Meeting will be required to approve this proposal. Abstentions and broker non-votes, if any, will have no effect on the outcome of this proposal.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE "FOR" THE APPROVAL OF THE PLAN AMENDMENT.

STOCKHOLDERS' PROPOSALS FOR NEXT ANNUAL MEETING

If you intend to submit a proposal to be included in next year's proxy statement pursuant to SEC Rule 14a-8, the Corporate Secretary must receive your proposal on or before December 31, 2021. Submitting a stockholder proposal does not guarantee that we will include the proposal in the proxy statement if the proposal does not satisfy the SEC's rules.

If you want to present your proposal at the 2022 annual meeting but are not proposing it pursuant to SEC Rule 14a-8, the Corporate Secretary must receive your proposal no earlier than the close of business on February 24, 2022 and no later than the close of business on March 26, 2022, and it must satisfy the requirements set forth in Article I, Section 1.10 of our Amended and Restated Bylaws. If, however, the date of the 2022 annual meeting is more than 30 days before or more than 70 days after the anniversary of this Annual Meeting, we must receive such notice no earlier than the close of business on the 120th day prior to such meeting and no later than the close of business on the later of the 90th day prior to such meeting and the 10th day following the public announcement of the meeting date.

Rule 14a-4 of the Exchange Act governs our use of our discretionary proxy voting authority with respect to a stockholder proposal that is not addressed in the proxy statement. With respect to our annual meeting of stockholders to be held in 2022, if we are not provided notice of a stockholder proposal prior to March 26, 2022, we will be permitted to use its discretionary voting authority when the proposal is raised at the meeting, without any discussion of the matter in the proxy statement.

OTHER MATTERS

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

By order of the Board of Directors,

/s/ Ned Mavrommatis

Ned Mavrommatis
Corporate Secretary

Dated: June 11, 2021

A COPY OF THE COMPANY'S ANNUAL REPORT ON FORM 10-K FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020 (EXCLUDING EXHIBITS) ACCOMPANIES THIS PROXY STATEMENT. THE ANNUAL REPORT IS NOT TO BE REGARDED AS PROXY SOLICITING MATERIAL OR AS A COMMUNICATION BY MEANS OF WHICH ANY SOLICITATION IS TO BE MADE.

**CERTIFICATE OF AMENDMENT
OF
AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF
POWERFLEET INC.**

(Under Section 242 of the General Corporation Law of the State of Delaware)

PowerFleet, Inc. (the “*Corporation*”), a corporation organized and existing under and by virtue of the provisions of the General Corporation Law of the State of Delaware, does hereby certify as follows:

1. The name of the Corporation is PowerFleet, Inc.

2. The Corporation’s certificate of incorporation was initially filed with the Secretary of State of the State of Delaware on February 21, 2019, which was amended and restated on October 2, 2019 pursuant to the Amended and Restated Certificate of Incorporation (the “*Restated Certificate of Incorporation*”).

3. The Board of Directors of the Corporation, at a meeting duly convened and held on May ____, 2021, adopted resolutions proposing and declaring it advisable that the Restated Certificate of Incorporation be amended as follows:

(a) Replacing the first paragraph of Section A.4.c. of Article Fifth of the Restated Certificate of Incorporation in its entirety with the following:

“At any time when shares of Series A Preferred Stock are outstanding (provided, that, if a Mandatory Redemption Notice has been given, and any shares of Series A Preferred Stock thereafter remain outstanding, or on and after a Redemption Failure, all shares of Series A Preferred Stock which have been redeemed, if any, shall for purposes of determining whether either of the conditions set forth in this sentence are met, be deemed outstanding) and convertible into shares of Common Stock equal to at least eight percent (8.0%) of the Corporation’s then outstanding Common Stock (on a fully diluted basis calculated using the treasury stock method, as determined in accordance with GAAP, including, without duplication, the number of shares of Common Stock issuable pursuant to the conversion of all outstanding shares of Series A Preferred Stock and the number of shares of Common Stock issued or issuable upon the conversion and/or exercise of all outstanding Options (assuming net exercise of the outstanding Options) and Convertible Securities), or at any time when the Requisite Investors collectively hold at least twenty-five percent (25.0%) of the aggregate amount of Series A Preferred Stock issued to the Requisite Investors on the Original Issuance Date, the Corporation shall not, and shall not permit any of its subsidiaries to, and neither the Corporation nor any subsidiary shall enter into any agreement to, either directly or indirectly, by amendment, merger, consolidation or otherwise, do any of the following without (in addition to any other vote required by law or this Certificate of Incorporation) the written consent or affirmative vote of the holders of at least a majority of the outstanding shares of Series A Preferred Stock given in writing or by vote at a meeting, consenting or voting (as the case may be) separately as a class, and any such act or transaction entered into without such consent or vote shall be null and void *ab initio*, and of no force or effect.”

(b) Replacing the first two sentences of Section A.4.d.ii of Article Fifth of the Restated Certificate of Incorporation in their entirety with the following:

“As long as any shares of Series A Preferred Stock remain outstanding and represent twelve percent (12.0%) or more (provided, that, if a Mandatory Redemption Notice has been given, and any shares of Series A Preferred Stock thereafter remain outstanding, or on and after a Redemption Failure, all shares of Series A Preferred Stock which have been redeemed shall for purposes of determining whether the conditions for the entitlement to elect one or more Series A Directors set forth in this Section A.4.d are met, be deemed outstanding), on an as-converted basis, of the Corporation’s then outstanding Common Stock (on a fully diluted basis calculated using the treasury stock method, as determined in accordance with GAAP, including, without duplication, the number of shares of Common Stock issuable pursuant to the conversion of all outstanding shares of Series A Preferred Stock and the number of shares of Common Stock issued or issuable upon the conversion and/or exercise of all outstanding Options (assuming net exercise of the outstanding Options) and Convertible Securities), irrespective of whether or not a notice has been given to the Corporation under Section A.4.a, the holders of at least a majority of the outstanding shares of Series A Preferred Stock, voting as a separate class, shall be entitled to elect two (2) directors of the Corporation (the “**Series A Directors**”) who will serve on the Board and who will be entitled to serve on each committee and subcommittee thereof (subject to applicable Nasdaq and SEC independence requirements). As long as any shares of Series A Preferred Stock remain outstanding and represent less than twelve percent (12.0%), but no less than four percent (4.0%), on an as-converted basis, of the outstanding shares of the Corporation’s Common Stock (on a fully diluted basis calculated using the treasury stock method, as determined in accordance with GAAP, including, without duplication, the number of shares of Common Stock issuable pursuant to the conversion of all outstanding shares of Series A Preferred Stock and the number of shares of Common Stock issued or issuable upon the conversion and/or exercise of all outstanding Options (assuming net exercise of the outstanding Options) and Convertible Securities), irrespective of whether or not a notice has been given to the Corporation under Section A.4.a, the holders of at least a majority of the outstanding shares of Series A Preferred Stock, voting as a separate class, shall be entitled to elect one (1) Series A Director who will serve on the Board and will be entitled to serve on each committee and subcommittee thereof (subject to applicable Nasdaq and SEC independence requirements).”

(c) Replacing the first sentence of Section A.8.a of Article Fifth of the Restated Certificate of Incorporation in its entirety with the following:

“For so long as at least twenty percent (20.0%) of the aggregate amount of Series A Preferred Stock issued on the Original Issuance Date continues to be outstanding, each holder thereof shall be entitled to participate in each of the Corporation’s future offerings of Equity Securities and Debt Securities (other than asset-based lending or credit facilities with money-center commercial banks) (as the case may be, “**Additional Securities**”) in accordance with this Section A.8.”

4. Thereafter, pursuant to a direction set forth in a resolution of the Board of Directors of the Corporation, an annual meeting of the stockholders of the Corporation was duly called and held on _____, 2021, upon notice in accordance with Section 222 of the General Corporation Law of the State of Delaware, at which meeting the necessary number of shares as required by statute were voted in favor of the foregoing amendments.

5. The foregoing amendments were duly adopted in accordance with Section 242 of the General Corporation Law of the State of Delaware.

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned, being a duly elected officer of the Corporation, has executed this Certificate of Amendment and affirms the statements herein contained on this ____ day of _____, 2021.

POWERFLEET, INC.

By: _____
Name:
Title:

SECOND AMENDMENT TO THE POWERFLEET, INC.
2018 INCENTIVE PLAN

WHEREAS, pursuant to Section 11.1 of the PowerFleet, Inc. 2018 Incentive Plan (as amended, the “Plan”), the Board of Directors (the “Board”) of PowerFleet, Inc. (“PowerFleet”) may modify, amend, alter, suspend, discontinue or terminate the Plan, subject to stockholder approval of any increase in the number of Shares available under the Plan;

WHEREAS, capitalized terms used but not otherwise defined herein shall have the meaning ascribed to them in the Plan; and

WHEREAS, the Board believes it would be in the best interest of PowerFleet and its stockholders to amend the Plan as provided in this Second Amendment To The PowerFleet, Inc. 2018 Incentive Plan (this “Amendment No. 2”) to increase the number of Shares available under the Plan by 2,000,000 Shares.

NOW, THEREFORE, in accordance with Section 11.1 of the Plan, the Plan shall be amended, subject to stockholder approval, as follows:

1. Section 4.1 of the Plan is hereby amended and restated as follows:

“4.1 Number of Shares. Subject to adjustment as provided in Sections 4.2 and 4.3, the aggregate number of Shares of Stock which may be issued or transferred pursuant to Awards under the Plan shall be the sum of: (i) 6,500,000 shares, plus (ii) the number of shares of common stock of the Company which remain available for grants of options or other awards under the Prior Plans as of the Effective Date, plus (iii) the number of Shares that, after the Effective Date, would again become available for issuance pursuant to the reserved share replenishment provisions of the Prior Plans as a result of, stock options issued thereunder expiring or becoming unexercisable for any reason before being exercised in full, or, as a result of restricted stock being forfeited to the Company or repurchased by the Company pursuant to the terms of the agreements governing such shares. The share replenishment provision of the immediately preceding clause (iii) shall be effective regardless of whether the Prior Plans have terminated or remain in effect. Notwithstanding the foregoing, in order that the applicable regulations under the Code relating to Incentive Stock Options be satisfied, the maximum number of shares of Stock that may be delivered upon exercise of Incentive Stock Options shall be 6,000,000, as adjusted under Sections 4.2 and 4.3. Shares of Stock issued pursuant to the Plan may be either authorized but unissued Shares or Shares held by the Company in its treasury.”

2. This Amendment No. 2 shall be effective as of the date this Amendment No. 2 is approved by the stockholders of PowerFleet. This Amendment No. 2 will be deemed to be approved by PowerFleet’s stockholders if it receives the affirmative vote of the holders of a majority of the shares of PowerFleet common stock present or represented and entitled to vote at a meeting duly held in accordance with the applicable provisions of the PowerFleet Bylaws.

IN WITNESS WHEREOF, this Amendment to the Plan is adopted as of as of this ___ day of _____, 2021.

POWERFLEET, INC.

By: _____
Name:
Title:

POWERFLEET, INC.**2018 Incentive Plan**

Article 1

Establishment and Purpose

1.1 Establishment of the Plan. The Company has hereby established an incentive compensation plan as set forth in this document, as may be amended, supplemented, restated or otherwise modified from time to time.

1.2 Purpose of the Plan. The purpose of the Plan is to promote the success and enhance the value of the Company by linking the personal interests of Participants to those of the Company's stockholders, and by providing Participants with an incentive for outstanding performance.

1.3 Effective Date of the Plan. The Plan is effective as of June 14, 2018 (the "Effective Date"). The Plan will be deemed to be approved by the stockholders if it receives the affirmative vote of the holders of a majority of the shares of stock of the Company present or represented and entitled to vote at a meeting duly held in accordance with the applicable provisions of the Company's Bylaws. The I.D. Systems, Inc. 2015 Equity Compensation Plan and the 2009 Non-Employee Director Equity Compensation Plan (the "Prior Plans") shall be frozen on the date on which this Plan is approved by the Company's stockholders and no new awards shall be issued under the Prior Plans. With respect to outstanding awards under the Prior Plans, the Prior Plans shall remain in place and any awards granted under the Prior Plans shall continue to be subject to the terms of the Prior Plans and applicable Award Agreements (as defined below) (including any such terms that are intended to survive the termination of the Prior Plans or the settlement of such Award (as defined below)) and shall remain in effect pursuant to their terms.

1.4 Duration of the Plan. Unless sooner terminated as provided herein, the Plan shall terminate ten (10) years from the Effective Date. After the Plan is terminated, no Awards may be granted but Awards previously granted shall remain outstanding in accordance with their applicable terms and conditions and the Plan's terms and conditions.

Article 2

Definitions

Whenever used in the Plan, the following terms shall have the meanings set forth below and, when the meaning is intended, the initial letter of the word is capitalized:

2.1 "Affiliate" means, with respect to any Person, any other Person that directly or indirectly through one or more intermediaries controls, is controlled by or is under common control with, the Person in question, including any subsidiary. As used herein, the term "control" means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract or otherwise. As used herein, the term "subsidiary" means any corporation, partnership, venture or other entity in which the Company holds, directly or indirectly, a fifty percent (50%) or greater ownership interest.

2.2 "Applicable Law" means any applicable law, including without limitation: (a) provisions of the Code, the Securities Act, the Exchange Act and any rules or regulations thereunder; (b) corporate, securities, tax or other laws, statutes, rules, requirements or regulations, whether federal, state, local or foreign; and (c) rules of any securities exchange or automated quotation system on which the Shares are listed, quoted or traded.

2.3 "Award" means, individually or collectively, a grant or award under this Plan of Options, Stock Appreciation Rights, Restricted Stock (including unrestricted Stock), Restricted Stock Units, Performance Stock Units, Performance Shares, Deferred Stock Awards, Other Stock-Based Awards, Dividend Equivalent Awards and Performance Bonus Awards, in each case subject to the terms of the Plan.

2.4 "Award Agreement" means an agreement, certificate, resolution or other type or form of writing or other evidence approved by the Committee which sets forth the terms and conditions of an Award. An Award Agreement may be in any electronic medium, may be limited to a notation on the books and records of the Company and, with the approval of the Committee, need not be signed by a representative of the Company or a Participant. In the event of any inconsistency between the Plan and an Award Agreement, the terms of the Plan shall govern.

2.5 “Beneficial Owner” or “Beneficial Ownership” has the meaning ascribed to such term in Rule 13d-3 under the Exchange Act.

2.6 “Board” or “Board of Directors” means the Company’s Board of Directors.

2.7 “Cause” means (i) conviction of, or the entry of a plea of guilty or no contest to, a felony or any other crime that causes the Company or its Affiliates public disgrace or disrepute, or materially and adversely affects the Company’s or its Affiliates’ operations or financial performance or the relationship the Company has with its customers, (ii) gross negligence or willful misconduct with respect to the Company or any of its Affiliates, including, without limitation fraud, embezzlement, theft or proven dishonesty in the course of his or her employment; (iii) refusal to perform any lawful, material obligation or fulfill any duty (other than any duty or obligation of the type described in clause (v) below) to the Company or its Affiliates (other than due to a Disability), which refusal, if curable, is not cured within 10 days after delivery of written notice thereof; (iv) material breach of any agreement with or duty owed to the Company or any of its Affiliates, which breach, if curable, is not cured within 10 days after the delivery of written notice thereof; or (v) any breach of any obligation or duty to the Company or any of its Affiliates (whether arising by statute, common law or agreement) relating to confidentiality, noncompetition, nonsolicitation or proprietary rights. Notwithstanding the foregoing, if a Participant and the Company (or any of its Affiliates) have entered into an employment agreement, consulting agreement or other similar agreement that specifically defines “cause,” then with respect to such Participant, “Cause” shall have the meaning defined in that employment agreement, consulting agreement or other agreement.

2.8 “Change in Control” shall be deemed to have occurred if:

(a) any Person, other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company or a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company’s then outstanding voting securities;

(b) during any period of two (2) consecutive years, individuals who at the beginning of such period constitute the Board of Directors of the Company and any new Director whose election by the Board of Directors or nomination for election by the Company’s stockholders was approved by a vote of a majority of the Directors then still in office who either were Directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof;

(c) the consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation; or

(d) the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all the Company’s assets.

Notwithstanding the foregoing, if a Change in Control constitutes a payment event with respect to any Award (or any portion of an Award) that provides for the deferral of compensation that is subject to Section 409A of the Code, to the extent required to avoid the imposition of additional taxes under Section 409A of the Code, the transaction or event described in subsection (a), (b), (c) or (d) with respect to such Award (or portion thereof) shall only constitute a Change in Control for purposes of the payment timing of such Award if such transaction also constitutes a “change in control event,” as defined in Treasury Regulation Section 1.409A-3(i)(5).

The Committee shall have full and final authority, which shall be exercised in its sole discretion, to determine conclusively whether a Change in Control has occurred pursuant to the above definition, the date of the occurrence of such Change in Control and any incidental matters relating thereto; provided that any exercise of authority in conjunction with a determination of whether a Change in Control is a “change in control event” as defined in Treasury Regulation Section 1.409A-3(i)(5) shall be consistent with such regulation.

2.9 “Code” means the Internal Revenue Code of 1986, as amended from time to time, and the Treasury Regulations issued thereunder.

2.10 “Committee” has the meaning set forth in Section 3.1.

2.11 “Company” means PowerFleet, Inc., a Delaware corporation.

2.12 “Consultant” means any consultant or advisor who renders bona fide services to the Company or an Affiliate, other than as an Employee or Director, *provided that* such services are not in connection with the offer or sale of securities in a capital-raising transaction and do not, directly or indirectly, promote or maintain a market for the Company’s or its Affiliates’ securities.

2.13 “Deferred Stock” means a right to receive a specified number of shares of Stock during specified time periods pursuant to Article 9.

2.14 “Director” means a member of the Board.

2.15 “Disability” means, unless otherwise determined by the Committee in the applicable Award Agreement, absence of an Employee from work under the relevant Company or Subsidiary long term disability plan; provided, however, that to entitle a Participant to an extended exercise period for an Incentive Stock Option, the Participant must be described in Section 22(e)(3) of the Code. Notwithstanding the foregoing, for Awards subject to Section 409A of the Code, Disability shall mean that a Participant is disabled under Section 409A(a)(2)(C)(i) or (ii) of the Code.

2.16 “Dividend Equivalent” means a right granted to a Participant pursuant to Article 9 to receive the equivalent value (in cash or Stock) of dividends paid on Stock.

2.17 “Effective Date” has the meaning set forth in Section 1.3.

2.18 “Eligible Person” means any person who is an employee, officer, director, consultant, advisor or other individual service provider of the Company or any Affiliate, or any person who is determined by the Committee to be a prospective employee, officer, director, consultant, advisor or other individual service provider of the Company or any Affiliate.

2.19 “Employee” means any person employed by the Company, its Affiliates and/or Subsidiaries; *provided, that*, for purposes of determining eligibility to receive Incentive Stock Options, an Employee shall mean an employee of the Company or a parent or subsidiary corporation within the meaning of Section 424 of the Code. Mere service as a Director or payment of a director’s fee by the Company or an Affiliate shall not be sufficient to constitute “employment” by the Company or an Affiliate.

2.20 “Exchange Act” means the Securities Exchange Act of 1934, as amended from time to time, or any successor Act thereto.

2.21 “Exercise Price” means the price at which a Share may be purchased by a Participant pursuant to an Option, as determined by the Committee.

2.22 “Fair Market Value” or “FMV” means, as of any date, the value of Stock determined as follows:

(a) If the Stock is listed on one or more established stock exchanges or national market systems, including, without limitation, the NASDAQ Global Select Market, The NASDAQ Global Market or The NASDAQ Capital Market of The NASDAQ Stock Market LLC, its Fair Market Value shall be the closing sales price for such Stock (or the closing bid, if no sales were reported) as quoted on the principal exchange or system on which the Stock is listed (as determined by the Committee) on the date of determination (or, if no closing sales price or closing bid was reported on that date, as applicable, on the last immediately preceding trading date such closing sales price or closing bid was reported), as reported in *The Wall Street Journal* or such other source as the Committee deems reliable;

(b) If the Stock is regularly quoted on an automated quotation system (including the OTC Bulletin Board) or by a recognized securities dealer, its Fair Market Value shall be the closing sales price for such Stock as quoted on such system or by such securities dealer on the date of determination, but if selling prices are not reported, the Fair Market Value of a share of Stock shall be the mean between the high bid and low asked prices for the Stock on the date of determination (or, if no such prices were reported on that date, on the last date such prices were reported), as reported in *The Wall Street Journal* or such other source as the Committee deems reliable; or

(c) In the absence of an established market for the Stock of the type described in (a) and (b), above, the Fair Market Value thereof shall be determined by the Committee in good faith using any reasonable method of valuation, which method may be set forth with greater specificity in the Award Agreement, (and, to the extent necessary or advisable, in a manner consistent with Section 409A of the Code and Section 422 of the Code for Incentive Stock Options), which determination shall be conclusive and binding on all interested parties. Such reasonable method may be determined by reference to (i) the placing price of the latest private placement of the Shares and the development of the Company’s business operations and the general economic and market conditions since such latest private placement; (ii) other third party transactions involving the Shares and the development of the Company’s business operation and the general economic and market conditions since such sale; (iii) an independent valuation of the Shares (by a qualified valuation expert) or (iv) such other methodologies or information as the Committee determines to be indicative of Fair Market Value.

2.23 “Good Reason” means, unless the applicable Award Agreement states otherwise, (i) if an Employee or Consultant is a party to an employment or service agreement with the Company or its Affiliates and such agreement provides for a definition of “good reason,” the definition contained therein, or (ii) if no such agreement exists or if such agreement does not define “good reason,” in connection with a Termination of Employment by a Participant within one (1) year following a Change in Control, (1) a material adverse alteration in the Participant’s position or in the nature or status of the Participant’s responsibilities from those in effect immediately prior to the Change in Control, or (2) any material reduction in the Participant’s base salary rate or target annual bonus, in each case as in effect immediately prior to the Change in Control, or (3) the relocation of the Participant’s principal place of employment to a location that is more than fifty (50) miles from the location where the Participant was principally employed at the time of the Change in Control or materially increases the time of the Participant’s commute as compared to the Participant’s commute at the time of the Change in Control (except for required travel on the Company’s business to an extent substantially consistent with the Participant’s customary business travel obligations in the ordinary course of business prior to the Change in Control).

In order to invoke a Termination of Employment for Good Reason, a Participant must provide written notice to the Company or the Employer with respect to which the Participant is employed or providing services of the existence of one or more of the conditions constituting Good Reason within ninety (90) days following the Participant’s knowledge of the initial existence of such condition or conditions, specifying in reasonable detail the conditions constituting Good Reason, and the Company shall have thirty (30) days following receipt of such written notice (the “Cure Period”) during which it may remedy the condition. In the event that the Company or the Employer fails to remedy the condition constituting Good Reason during the applicable Cure Period, the Participant’s “separation from service” (within the meaning of Section 409A of the Code) must occur, if at all, within one (1) year following such Cure Period in order for such termination as a result of such condition to constitute a Termination of Employment for Good Reason.

2.24 “Incentive Stock Option” means an Option that is intended to qualify as an “incentive stock option” within the meaning of Section 422 of the Code and that meets the requirements set out in the Plan.

2.25 “Insider” means an individual who is, on the relevant date, an officer, director, or ten percent (10%) beneficial owner of the Company, as those terms are defined under Section 16 of the Exchange Act, who is required to file reports pursuant to Rule 16a-3 under the Exchange Act.

2.26 “Non-Employee Director” means a member of the Board who is not an Employee of the Company.

2.27 “Non-Qualified Stock Option” means an Option that, by its terms, does not qualify or is not intended to qualify as an Incentive Stock Option.

2.28 “Option” means the right to purchase Stock granted to a Participant in accordance with Article 6. Options granted under the Plan may be Non-Qualified Stock Options, Incentive Stock Options or a combination thereof.

2.29 “Other Stock-Based Award” means an equity-based or equity-related Award not otherwise described by the terms of the Plan, granted pursuant to Article 9.

2.30 “Participant” means an Eligible Person to whom an Award is granted under the Plan.

2.31 “Performance Goal” means any goals established by the Committee pursuant to an Award.

2.32 “Performance Period” means one or more periods of time, which may be of varying and overlapping durations, as the Committee may select, over which the attainment of one or more Performance Goals will be measured for the purpose of determining a Participant’s right to, and the payment of, Performance Stock Units and Performance Shares.

2.33 “Performance Stock Unit” and “Performance Share” each mean an Award granted to an Employee pursuant to Article 9 herein.

2.34 “Permitted Transferee” shall mean, with respect to a Participant, any “family member” of the Participant, as defined in the General Instructions to Form S-8 Registration Statement under the Securities Act (or any successor form thereto), or to any other transferee specifically approved by the Committee after taking in to account Applicable Law, but excluding any third-party financial institutions.

2.35 “Person” has the meaning ascribed to such term in Section 3(a)(9) of the Exchange Act and used in Sections 13(d) and 14(d) thereof, including a “group” as defined in Section 13(d) thereof.

2.36 “Plan” means this PowerFleet, Inc. 2018 Incentive Plan, as it may be amended, supplemented, restated or otherwise modified from time to time.

2.37 “Prior Plans” has the meaning set forth in Section 1.3.

2.38 “Restricted Stock” means Stock awarded to a Participant pursuant to Article 8 as to which the Restriction Period has not lapsed.

2.39 “Restricted Stock Unit” means an Award granted pursuant to Section 8.9 as to which the Restriction Period has not lapsed.

2.40 “Restriction Period” means the period when Restricted Stock or Restricted Stock Units are subject to a “substantial risk of forfeiture” within the meaning of Section 83 of the Code (based on the passage of time, the achievement of performance goals, or upon the occurrence of other events as determined by the Committee, in its discretion), as provided in Article 8.

2.41 “Securities Act” means the Securities Act of 1933, as amended.

2.42 “Share” means a share of Stock of the Company.

2.43 “Stock” means the common stock of the Company, par value \$0.01 per share.

2.44 “Stock Appreciation Right” or “SAR” means a right granted pursuant to Article 9 to receive an amount payable in cash or Shares equal to the excess of (i) the Fair Market Value of a specified number of Shares on the date the SAR is exercised over (ii) the Fair Market Value of such Shares on the date the SAR was granted as set forth in the applicable Award Agreement.

2.45 “Subsidiary” means any corporation, partnership, venture, unincorporated association or other entity in which the Company holds, directly or indirectly, a fifty percent (50%) or greater ownership interest, provided, however, that with respect to an Incentive Stock Option, a Subsidiary must be a corporation. The Committee may, at its sole discretion, designate, on such terms and conditions as the Committee shall determine, any other corporation, partnership, limited liability company, venture, or other entity a Subsidiary for purposes of this Plan.

2.46 “Ten Percent Owner” means a person who owns, or is deemed within the meaning of Section 422(b)(6) of the Code to own, stock possessing more than 10% of the total combined voting power of all classes of stock of the Company (or any parent or subsidiary corporations of the Company, as defined in Sections 424(e) and (f), respectively, of the Code). Whether a person is a Ten Percent Owner shall be determined with respect to an Option based on the facts existing immediately prior to the grant date of the Option.

2.47 “Termination of Employment” or a similar reference means the event where the Employee is no longer an Employee of the Company or of any Subsidiary, including but not limited to where the employing company ceases to be a Subsidiary. With respect to any Participant who is not an Employee, “Termination of Employment” shall mean cessation of the performance of services. With respect to any Award that provides “non-qualified deferred compensation” within the meaning of Section 409A of the Code, “Termination of Employment” shall mean a “separation from service” as defined under Section 409A of the Code. Military or sick leave or other bona fide leave shall not be deemed a termination of employment, provided that it does not exceed the longer of three (3) months or the period during which the absent Participant’s reemployment rights, if any, are guaranteed by statute or by contract.

2.48 “Treasury Regulation” or “Treas. Reg.” means any regulation promulgated under the Code, as such regulation may be amended from time to time.

Article 3

Administration

3.1 Committee. Except as otherwise provided herein, the Plan shall be administered by the Compensation Committee of the Board (the “Committee”). Unless otherwise determined by the Board, the Committee shall consist solely of two or more members of the Board each of whom is (a) a “non-employee director” within the meaning of Rule 16b-3 of the Exchange Act, and (b) an “independent director” under the rules of the Nasdaq Stock Market (or any similar rule or listing requirement that may be applicable to the Company from time to time); provided, that any action taken by the Committee shall be valid and effective, whether or not members of the Committee at the time of such action are later determined not to have satisfied the requirements for membership set forth in this Section 3.1 or otherwise provided in any charter of the Committee. Notwithstanding the foregoing: (a) the full Board, acting by a majority of its members in office, shall conduct the general administration of the Plan with respect to all Awards granted to Non-Employee Directors and for purposes of such Awards the term “Committee” as used in this Plan shall be deemed to refer to the Board and (b) the Committee may delegate its authority hereunder to the extent permitted by Section 3.4. In its sole discretion, the Board may at any time and from time to time exercise any and all rights and duties of the Committee under the Plan except with respect to matters which under Rule 16b-3 under the Exchange Act, or any regulations or rules issued thereunder, are required to be determined in the sole discretion of the Committee. Except as may otherwise be provided in any charter of the Committee, appointment of Committee members shall be effective upon acceptance of appointment; Committee members may resign at any time by delivering written notice to the Board; and vacancies in the Committee may only be filled by the Board.

3.2 Authority of the Committee. Subject to the general purposes, terms and conditions of this Plan and Applicable Law, and to the direction of the Board, the Committee shall have complete control over the administration of the Plan and shall have sole authority to (a) exercise all of the powers granted to it under the Plan, (b) construe, interpret and implement the Plan, grant terms and grant notices, and all Award Agreements, (c) prescribe, amend and rescind rules and regulations relating to the Plan, including rules governing its own operations, (d) make all determinations necessary or advisable in administering the Plan, (e) correct any defect, supply any omission and reconcile any inconsistency in the Plan, (f) amend the Plan to reflect changes in applicable law (whether or not the rights of the holder of any Award are adversely affected, unless otherwise provided by the Committee), (g) grant Awards and determine who shall receive Awards, when such Awards shall be granted and the terms and conditions of such Awards, including, but not limited to, conditioning the exercise, vesting, payout or other term of condition of an Award on the achievement of Performance Goals, (h) unless otherwise provided by the Committee, amend any outstanding Award in any respect, not materially adverse to the Participant, including, without limitation, to (1) accelerate the time or times at which the Award becomes vested, unrestricted or may be exercised (and, in connection with such acceleration, the Committee may provide that any Shares acquired pursuant to such Award shall be restricted Shares, which are subject to vesting, transfer, forfeiture or repayment provisions similar to those in the Participant's underlying Award), (2) accelerate the time or times at which Shares are delivered under the Award (and, without limitation on the Committee's rights, in connection with such acceleration, the Committee may provide that any shares of Stock delivered pursuant to such Award shall be Restricted Shares, which are subject to vesting, transfer, forfeiture or repayment provisions similar to those in the Participant's underlying Award), or (3) waive or amend any goals, restrictions or conditions applicable to such Award, or impose new goals, restrictions and (i) determine at any time whether, to what extent and under what circumstances and method or methods (1) Awards may be (A) settled in cash, Shares, other securities, other Awards or other property (in which event, the Committee may specify what other effects such settlement will have on the Participant's Award), (B) exercised or (C) canceled, forfeited or suspended, (2) Shares, other securities, cash, other Awards or other property and other amounts payable with respect to an Award may be deferred either automatically or at the election of the Participant or of the Committee, or (3) Awards may be settled by the Company or any of its Subsidiaries or any of its or their designees. No Award may be made under the Plan after the tenth (10th) anniversary of the Effective Date.

3.3 Committee Decisions Final. The act or determination of a majority of the Committee shall be the act or determination of the Committee and any decision reduced to writing and signed by all of the members of the Committee shall be fully effective as if it had been made by a majority at a meeting duly held. The Committee may employ attorneys, consultants, accountants, agents, and other persons, any of whom may be an Employee, and the Committee, the Company, and its officers and Directors shall be entitled to rely upon the advice, opinions, or valuations of any such persons. All actions taken and all interpretations and determinations made by the Committee pursuant to the provisions of the Plan and all related orders or resolutions shall be final and binding upon the Participants, the Company, and all other interested persons, including but not limited to the Company, its stockholders, Employees, Participants, and their estates and beneficiaries.

3.4 Delegation of Authority. The Board or Committee may from time to time delegate to a committee of one or more members of the Board or one or more officers of the Company the authority to grant or amend Awards or to take other administrative actions pursuant to this Article 3; provided, however, that in no event shall an officer of the Company be delegated the authority to grant Awards to, or amend Awards held by, the following individuals: (a) individuals who are subject to Section 16 of the Exchange Act, or (b) officers of the Company (or Directors) to whom authority to grant or amend Awards has been delegated hereunder; provided, further, that any delegation of administrative authority shall only be permitted to the extent it is permissible under the Company's Certificate of Incorporation, Bylaws and Applicable Law. Any delegation hereunder shall be subject to the restrictions and limits that the Board or Committee specifies at the time of such delegation or that are otherwise included in the applicable Organizational Documents, and the Board or Committee, as applicable, may at any time rescind the authority so delegated or appoint a new delegatee. At all times, the delegatee appointed under this Section 3.4 shall serve in such capacity at the pleasure of the Board or the Committee, as applicable, and the Board or the Committee may abolish any committee at any time and re-vest in itself any previously delegated authority.

3.5 Indemnification. To the extent allowable pursuant to applicable law, each member of the Committee or of the Board shall be indemnified and held harmless by the Company from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by such member in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action or failure to act pursuant to the Plan and against and from any and all amounts paid by him or her in satisfaction of judgment in such action, suit, or proceeding against him or her; provided he or she gives the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled pursuant to the Company's Certificate of Incorporation or Bylaws, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

Article 4

Shares Subject to the Plan

4.1 Number of Shares. Subject to adjustment as provided in Sections 4.2 and 4.3, the aggregate number of Shares of Stock which may be issued or transferred pursuant to Awards under the Plan shall be the sum of: (i) 6,500,000 shares, plus (ii) the number of shares of common stock of the Company which remain available for grants of options or other awards under the Prior Plans as of the Effective Date, plus (iii) the number of Shares that, after the Effective Date, would again become available for issuance pursuant to the reserved share replenishment provisions of the Prior Plans as a result of, stock options issued thereunder expiring or becoming unexercisable for any reason before being exercised in full, or, as a result of restricted stock being forfeited to the Company or repurchased by the Company pursuant to the terms of the agreements governing such shares. The share replenishment provision of the immediately preceding clause (iii) shall be effective regardless of whether the Prior Plans have terminated or remain in effect. Notwithstanding the foregoing, in order that the applicable regulations under the Code relating to Incentive Stock Options be satisfied, the maximum number of shares of Stock that may be delivered upon exercise of Incentive Stock Options shall be 6,000,000, as adjusted under Sections 4.2 and 4.3. Shares of Stock issued pursuant to the Plan may be either authorized but unissued Shares or Shares held by the Company in its treasury.

4.2 Share Accounting. Without limiting the discretion of the Committee under this section, the following rules will apply for purposes of the determination of the number of Shares available for grant under the Plan or compliance with the foregoing limits:

(a) If an outstanding Award for any reason expires or is terminated or canceled without having been exercised or settled in full, or if Shares acquired pursuant to an Award subject to forfeiture are forfeited under the terms of the Plan or the relevant Award, the Shares allocable to the terminated portion of such Award or such forfeited Shares shall again be available for issuance under the Plan.

(b) Shares shall not be deemed to have been issued pursuant to the Plan with respect to any portion of an Award that is settled in cash, other than an Option.

(c) If the exercise price of an Option is paid by tender to the Company, or attestation to the ownership, of Shares owned by the Participant, or an Option is settled without the payment of the exercise price, or the payment of taxes with respect to any Award is settled by a net exercise, the number of shares available for issuance under the Plan shall be reduced by the gross number of shares for which the Option is exercised or other Awards that have vested.

4.3 Adjustments in Authorized Plan Shares and Outstanding Awards. In the event of any merger, reorganization, consolidation, recapitalization, separation, split-up, liquidation, Share combination, Stock split, Stock dividend, an extraordinary cash distribution on Stock, a corporate separation or other reorganization or liquidation or other change in the corporate or capital structure of the Company affecting the Shares, an adjustment shall be made in a manner consistent with Sections 422 and 424(h)(3) of the Code for Incentive Stock Options and in a manner consistent with Section 409A of the Code for Non-Qualified Stock Options and in the number and class of and/or price of Shares subject to outstanding Awards granted under the Plan, and/or the number of outstanding Options, Shares of Restricted Stock, and Performance Shares (and Restricted Stock Units, Performance Stock Units and other Awards whose value is based on a number of Shares) constituting outstanding Awards, as may be determined to be appropriate and equitable by the Committee, in its sole discretion, to prevent dilution or enlargement of rights. The Committee may make adjustments in the terms and conditions of, and the criteria included in Awards in recognition of unusual or nonrecurring events (including, without limitation, the events described in this Section) affecting the Company or the financial statements of the Company or of changes in applicable laws, regulations, or accounting principles, whenever the Committee determines that such adjustments are appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan. Adjustments under this Section 4.3 shall be consistent with Section 409A of the Code and adjustments pursuant to determination of the Committee shall be conclusive and binding on all Participants under the Plan.

4.4 Limitation on Number of Shares Granted to Non-Employee Directors. Notwithstanding any provision in the Plan to the contrary, the sum of the grant date Fair Market Value of equity-based Awards and the amount of any cash-based Awards granted to a Non-Employee Director during any calendar year shall not exceed five hundred thousand dollars (\$500,000).

Article 5

Eligibility and Participation

5.1 Eligibility and Participation. Subject to the provisions of the Plan, the Committee may, from time to time, select from all Eligible Persons, those to whom Awards shall be granted and shall determine, in its sole discretion, the nature of, any and all terms permissible by law, and the amount of each Award. In making this determination, the Committee may consider any factors it deems relevant, including without limitation, the office or position held by a Participant or the Participant's relationship to the Company, the Participant's degree of responsibility for and contribution to the growth and success of the Company or any Subsidiary or Affiliate, the Participant's length of service, promotions and potential. No individual shall have the right to be selected to receive an Award under this Plan, or, having been so selected, to be selected to receive a future Award. In addition, there is no obligation for uniformity of treatment of Participants or holders or beneficiaries of Awards. The terms and conditions of Awards and the Committee's determinations and interpretations with respect thereto need not be the same with respect to each Participant and may be made selectively among Participants, whether or not such Participants are similarly situated.

5.2 Foreign Participants. In order to assure the viability of Awards granted to Participants employed in foreign countries, the Committee may provide for such special terms as it may consider necessary or appropriate to accommodate differences in local law, tax policy, or custom. Moreover, the Committee may approve such supplements to, or amendments, restatements, or alternative versions of, the Plan as it may consider necessary or appropriate for such purposes without thereby affecting the terms of the Plan as in effect for any other purpose; provided, however, that no such supplements, amendments, restatements, or alternative versions shall increase the share limitations contained in Section 4.1 of the Plan.

Article 6

Options

6.1 Grant of Options. Subject to the terms and provisions of the Plan, Options may be granted to Participants in such number, and upon such terms and conditions, and at any time and from time to time as shall be determined by the Committee, in its sole discretion, subject to the limitations set forth in Article 4 and the following terms and conditions:

(a) Award Agreement. Each Option grant shall be evidenced by an Award Agreement that shall specify the terms and conditions of the Option, including the Exercise Price, the maximum duration of the Option, the number of Shares to which the Option pertains, the conditions upon which an Option shall become vested and exercisable, and such other provisions as the Committee shall determine which are not inconsistent with the terms of the Plan. The Award Agreement also shall specify whether the Option is intended to be an Incentive Stock Option or a Non-Qualified Stock Option.

(b) Exercise Period. Unless a shorter period is otherwise provided by the Committee at the time of grant, each Option will expire on the tenth (10th) anniversary date of its grant or on the fifth (5th) anniversary of its grant date if the Participant is a Ten Percent Owner.

(c) Exercise Price. Unless a greater Exercise Price is determined by the Committee, the Exercise Price for each Option awarded under this Plan shall be equal to one hundred percent (100%) of the Fair Market Value of a Share on the date the Option is granted.

(d) Vesting of Options. Subject to Section 13.1, a grant of Options shall vest at such times and under such terms and conditions as determined by the Committee including, without limitation, suspension of a Participant's vesting during all or a portion of a Participant's leave of absence.

6.2 Limitations on Incentive Stock Options. In addition to the general requirements of Article 6, the terms of any ISO granted pursuant to the Plan must comply with the provisions of this Section 6.2.

(a) ISO Eligibility. ISOs may be granted only to Employees of the Company or of any parent or subsidiary corporation (as permitted under Sections 422 and 424 of the Code). No ISO Award may be made pursuant to this Plan after the tenth (10th) anniversary of the Effective Date.

(b) ISO Individual Dollar Limitation. The aggregate Fair Market Value (determined as of the date the Option is granted) of all Shares with respect to which Incentive Stock Options are first exercisable by a Participant in any calendar year may not exceed one hundred thousand dollars (\$100,000.00) or such other limitation as imposed by Section 422(d) of the Code. To the extent that Incentive Stock Options are first exercisable by a Participant in excess of such limitation, the excess shall be considered Non-Qualified Stock Options.

(c) ISO Expiration. An ISO will expire and may not be exercised to any extent by anyone after the first to occur of the following events:

(i) Ten (10) years from the date of grant, unless an earlier time is set in the Award Agreement;

(ii) Three (3) months after the date of the Participant's Termination of Employment other than on account of Disability or death. Whether a Participant continues to be an employee shall be determined in accordance with Treas. Reg. Section 1.421-1(h)(2); and

(iii) One (1) year after the date of the Participant's Termination of Employment on account of Disability or death. Upon the Participant's Disability or death, any ISOs exercisable at the Participant's Disability or death may be exercised by the Participant's legal representative or representatives, by the person or persons entitled to do so pursuant to the Participant's last will and testament, or, if the Participant fails to make testamentary disposition of such ISO or dies intestate, by the person or persons entitled to receive the ISO pursuant to the applicable laws of descent and distribution.

Any ISO that remains exercisable pursuant to a Participant's agreement with the Company following Termination of Employment and is unexercised more than one (1) year following Termination of Employment by reason of death or Disability or more than three (3) months following Termination of Employment for any reason other than death or Disability will thereafter be deemed to be a Non-Qualified Stock Option.

(d) Ten Percent Owners. In the case of an ISO granted to a Ten Percent Owner, such ISO shall be granted at an exercise price that is not less than one hundred and ten percent (110%) of Fair Market Value on the date of grant and, unless a shorter period is otherwise provided by the Committee at the time of grant, each ISO will expire on the fifth (5th) anniversary of its grant date.

(e) Notification of Disposition. If a Participant disposes of Shares acquired upon exercise of an ISO within two (2) years from the date the Option is granted or within one (1) year after the issuance of such Shares to the Participant, the Participant shall notify the Company of such disposition and provide information regarding the date of disposition, sale price, number of Shares disposed of, and any other information relating thereto that the Company may reasonably request.

(f) Right to Exercise. During a Participant's lifetime, an Incentive Stock Option may be exercised only by the Participant.

(g) Failure to Meet ISO Requirements. If an Option is intended to be an Incentive Stock Option, and if, for any reason, such Option (or any portion thereof) shall not qualify as an Incentive Stock Option, then, to the extent of such nonqualification, such Option (or portion thereof) shall be regarded as a Non-Qualified Stock Option appropriately granted under the Plan; *provided that* such Option (or portion thereof) otherwise complies with the Plan's requirements relating to Non-Qualified Stock Options.

6.3 Exercise of Options.

(a) Options granted under the Plan shall be exercisable at such times and be subject to such restrictions and conditions as the Committee shall in each instance approve, which need not be the same for each grant or for each Participant. Exercises of Options may be effected only on days and during the hours NASDAQ is open for regular trading. The Company may change or limit the times or days Options may be exercised. If an Option expires on a day or at a time when exercises are not permitted, then the Options may be exercised no later than the immediately preceding date and time that the Options were exercisable.

(b) An Option shall be exercised by providing notice to the designated agent selected by the Company (if no such agent has been designated, then to the Company), in the manner and form determined by the Company, which notice shall be irrevocable, setting forth the exact number of Shares with respect to which the Option is being exercised and including with such notice payment of the Exercise Price, as applicable. When an Option has been transferred, the Company or its designated agent may require appropriate documentation that the person or persons exercising the Option, if other than the Participant, has the right to exercise the Option. No Option may be exercised with respect to a fraction of a Share.

6.4 Termination of Employment. Unless otherwise provided by the Committee in the applicable Award Agreement, the following limitations on the exercise of Options shall apply upon Termination of Employment:

(a) Termination by Death or Disability. In the event of the Participant's Termination of Employment by reason of death or Disability, all outstanding Options granted to such Participant which are vested and exercisable as of the effective date of Termination of Employment by reason of death or Disability may be exercised, if at all, no more than one (1) year from such date of Termination of Employment, unless the Options, by their terms, expire earlier. All unvested Options granted to such Participant shall immediately become forfeited as of the date of Termination of Employment.

(b) Involuntary Termination Without Cause. If a Participant's Termination of Employment is by involuntary termination without Cause, all Options held by such Participant that are vested and exercisable at the time of the Participant's Termination of Employment may be exercised by the Participant at any time within a period of three (3) months from the date of such Termination of Employment, but in no event beyond the expiration of the stated term of such Options. All Options held by the Participant which are not vested on or before the effective date of Termination of Employment shall immediately be forfeited to the Company (and the Shares subject to such forfeited Options shall once again become available for issuance under the Plan).

(c) Voluntary Termination. If a Participant's Termination of Employment is voluntary (other than a voluntary termination described in Section 6.4(d)), all Options held by such Participant that are vested and exercisable at the time of the Participant's Termination of Employment may be exercised by the Participant at any time within a period of three (3) months from the date of such Termination of Employment, but in no event beyond the expiration of the stated terms of such Options. All Options held by the Participant which are not vested on or before the effective date of Termination of Employment shall immediately be forfeited to the Company (and the Shares subject to such forfeited Options shall once again become available for issuance under the Plan).

(d) Termination for Cause. If the Participant's Termination of Employment (i) is by the Company for Cause or (ii) is a voluntary Termination (as provided in Subsection (c) above) after the occurrence of an event that would be grounds for Termination of Employment for Cause, all outstanding Options held by the Participant shall immediately be forfeited to the Company and no additional exercise period shall be allowed, regardless of the vested status of the Options (and the Shares subject to such forfeited Options shall once again become available for issuance under the Plan).

(e) Other Terms and Conditions. Notwithstanding the foregoing, the Committee may, in its sole discretion, establish different, or waive, terms and conditions pertaining to the effect of Termination of Employment on Options, whether or not the Options are outstanding, but no such modification shall shorten the terms of Options issued prior to such modification or otherwise be materially adverse to the Participant.

6.5 Payment. The Committee shall determine the methods by which payments by any Participant with respect to any Awards granted under the Plan may be paid and the form of payment. Unless otherwise determined by the Committee, the Exercise Price shall be paid in full at the time of exercise. No Shares shall be issued or transferred until full payment has been received or the next business day thereafter, as determined by the Company. The Committee may, from time to time, determine or modify the method or methods of exercising Options or the manner in which the Exercise Price is to be paid. Unless otherwise provided by the Committee in full or in part, to the extent permitted by Applicable Law, payment may be made by any of the following:

(a) cash or certified or bank check;

(b) delivery of Shares owned by the Participant duly endorsed for transfer to the Company, with a Fair Market Value of such Shares delivered on the date of delivery equal to the Exercise Price (or portion thereof) due for the number of Shares being acquired;

(c) if the Company has designated a stockbroker to act as the Company's agent to process Option exercises, an Option may be exercised by issuing an exercise notice together with instructions to such stockbroker irrevocably instructing the stockbroker: (i) to immediately sell (which shall include an exercise notice that becomes effective upon execution of a sale order) a sufficient portion of the Shares to be received from the Option exercise to pay the Exercise Price of the Options being exercised and the required tax withholding, and (ii) to deliver on the settlement date the portion of the proceeds of the sale equal to the Exercise Price and tax withholding to the Company. In the event the stockbroker sells any Shares on behalf of a Participant, the stockbroker shall be acting solely as the agent of the Participant, and the Company disclaims any responsibility for the actions of the stockbroker in making any such sales. However, if the Participant is an Insider, then the instruction to the stock broker to sell in the preceding sentence is intended to comply with the requirements of Rule 10b5-1(c)(1)(i)(B) of the Exchange Act to the extent permitted by law. No Shares shall be issued until the settlement date and until the proceeds (equal to the Exercise Price and tax withholding) are paid to the Company;

(d) at any time, the Committee may, in addition to or in lieu of the foregoing, provide that an Option may be “stock settled,” which shall mean upon exercise of an Option, the Company may fully satisfy its obligation under the Option by delivering that number of shares of Stock found by taking the difference between (i) the Fair Market Value of the Stock on the exercise date, multiplied by the number of Options being exercised and (ii) the total Exercise Price of the Options being exercised, and dividing such difference by the Fair Market Value of the Stock on the exercise date; or

(e) any combination of the foregoing methods.

Notwithstanding any other provision of the Plan to the contrary, no Participant who is a Director or an “executive officer” of the Company shall be permitted to pay the Exercise Price of an Option in any method which would violate Section 13(h) of the Exchange Act.

Article 7

Stock Appreciation Rights

7.1 Grant of SARs. Any Participant selected by the Committee may be granted one or more SARs. SARs may be granted alone or in tandem with Options. Each SAR shall be evidenced by an Award Agreement that shall specify the exercise price, the term of the SAR, and such other provisions as the Committee shall determine. With respect to SARs granted in tandem with Options, the exercise of either such Options or such SARs shall result in the simultaneous cancellation of the same number of tandem SARs or Options, as the case may be.

7.2 Exercise Price. The exercise price per Share covered by a SAR granted pursuant to the Plan shall be equal to or greater than Fair Market Value on the date the SAR was granted.

7.3 Term. The term of each SAR shall be determined by the Committee in its sole discretion, but in no event shall the term exceed ten (10) years from the date of grant.

7.4 Payment. SARs may be settled in the form of cash, shares of Stock or a combination of cash and shares of Stock, as determined by the Committee.

7.5 Other Provisions. Except as the Committee may deem inappropriate or inapplicable in the circumstances, SARs shall be subject to terms and conditions substantially similar to those applicable to Non-Qualified Options as set forth in Article 6.

Article 8

Restricted Stock Awards

8.1 Grant of Restricted Stock. Subject to the terms and provisions of the Plan, the Committee, at any time and from time to time, may grant shares of Restricted Stock to eligible Employees in such amounts and upon such terms and conditions as the Committee shall determine. In addition to any other terms and conditions imposed by the Committee, vesting of Restricted Stock may be conditioned upon the achievement of Performance Goals.

8.2 Restricted Stock Agreement. The Committee may require, as a condition to receiving a Restricted Stock Award, that the Participant enter into a Restricted Stock Award Agreement, setting forth the terms and conditions of the Award. In lieu of a Restricted Stock Award Agreement, the Committee may provide the terms and conditions of an Award in a notice to the Participant of the Award, on the Stock certificate representing the Restricted Stock, in the resolution approving the Award, or in such other manner as it deems appropriate. If certificates representing the Restricted Stock are registered in the name of the Participant, any certificates so issued shall be printed with an appropriate legend referring to the terms, conditions, and restrictions applicable to such Award as determined or authorized in the sole discretion of the Committee. Shares recorded in book-entry form shall be recorded with a notation referring to the terms, conditions, and restrictions applicable to such Award as determined or authorized in the sole discretion of the Committee. The Committee may require that the stock certificates or book-entry registrations evidencing shares of Restricted Stock be held in custody by a designated escrow agent (which may but need not be the Company) until the restrictions thereon shall have lapsed, and that the Participant deliver a stock power, endorsed in blank, relating to the Stock covered by such Award.

8.3 Restrictions. Subject to Section 13.1, the Restricted Stock shall be subject to such vesting terms, including the achievement of Performance Goals, as may be determined by the Committee. Unless otherwise provided by the Committee, to the extent Restricted Stock is subject to any condition to vesting, if such condition or conditions are not satisfied by the time the period for achieving such condition has expired, such Restricted Stock shall be forfeited. The Committee may impose such other conditions and/or restrictions on any shares of Restricted Stock granted pursuant to the Plan as it may deem advisable including but not limited to a requirement that Participants pay a stipulated purchase price for each share of Restricted Stock and/or restrictions under Applicable Law. The Committee may also grant Restricted Stock without any terms or conditions in the form of vested Stock Awards.

8.4 Removal of Restrictions. Except as otherwise provided in this Article 8 or otherwise provided in the grant thereof, Shares of Restricted Stock covered by each Restricted Stock grant made under the Plan shall become freely transferable by the Participant after completion of all conditions to vesting, if any. However, the Committee, in its sole discretion, shall have the right to immediately vest the shares and waive all or part of the restrictions and conditions with regard to all or part of the shares held by any Participant at any time.

8.5 Voting Rights, Dividends and Other Distributions. Participants holding shares of Restricted Stock granted hereunder may exercise full voting rights and, subject to the provisions of this Section 8.5, may receive all dividends and distributions paid with respect to such Shares. If any such dividends or distributions are paid in Shares, the Shares shall automatically be subject to the same restrictions and conditions as the Restricted Stock with respect to which they were paid. In addition, with respect to a share of Restricted Stock, dividends shall only be paid out to the extent that the Share of Restricted Stock vests. Any cash dividends and stock dividends with respect to the Restricted Stock shall be withheld by the Company for the Participant's account, and interest may be credited on the amount of the cash dividends withheld at a rate and subject to such terms as determined by the Committee. The cash dividends or stock dividends so withheld by the Committee and attributable to any particular share of Restricted Stock (and earnings thereon, if applicable) shall be distributed to the Participant in cash or, at the discretion of the Committee, in shares of Stock having a Fair Market Value equal to the amount of such dividends, if applicable, upon the release of restrictions on such share and, if such share is forfeited, the Participant shall have no right to such dividends.

8.6 Termination of Employment Due to Death or Disability. In the event of the Participant's Termination of Employment by reason of death or Disability, unless otherwise determined by the Committee, all restrictions imposed on outstanding Shares of Restricted Stock held by the Participant shall immediately lapse and the Restricted Stock shall immediately become fully vested as of the date of Termination of Employment.

8.7 Termination of Employment for Other Reasons. Unless otherwise provided by the Committee, in the event of the Participant's Termination of Employment for any reason other than those specifically set forth in Section 8.6 herein, subject to Section 10.2, all shares of Restricted Stock held by the Participant which are not vested as of the effective date of Termination of Employment shall immediately be forfeited and returned to the Company.

8.8 Section 83(b) Election. The Committee may provide in an Award Agreement that the Award of Restricted Stock is conditioned upon the Participant making or refraining from making an election with respect to the Award under Section 83(b) of the Code. If a Participant makes an election pursuant to Section 83(b) of the Code concerning a Restricted Stock Award, the Participant shall be required to file a copy of such election with the Company within thirty (30) days following the date of grant.

8.9 Restricted Stock Units. In lieu of or in addition to Restricted Stock, the Committee may grant Restricted Stock Units under such terms and conditions as shall be determined by the Committee in accordance with Section 3.2. Restricted Stock Units shall be subject to the same terms and conditions under this Plan as Restricted Stock except as otherwise provided in this Plan or as otherwise provided by the Committee. Except as otherwise provided by the Committee, the award shall be settled and paid out promptly upon vesting (to the extent permitted by Section 409A of the Code), and the Participant holding such Restricted Stock Units shall receive, as determined by the Committee, Shares (or cash equal to the Fair Market Value of the number of Shares as of the date the Award becomes payable) equal to the number of such Restricted Stock Units. Restricted Stock Units shall not be transferable, shall have no voting rights, and, unless otherwise determined by the Committee, shall not receive dividends or Dividend Equivalents (which in any event shall only be paid out to the extent that the Restricted Stock Units vest). Upon a Participant's Termination of Employment due to death or Disability, the Committee will determine whether there should be any acceleration of vesting.

Article 9

Other Types of Awards

9.1 Performance Share Awards. Any Participant selected by the Committee may be granted one or more Performance Share awards which shall be denominated in a number of shares of Stock and which may be linked to any one or more of the Performance Goals or other specific performance criteria determined appropriate by the Committee, in each case on a specified date or dates or over any period or periods determined by the Committee. In making such determinations, the Committee shall consider (among such other factors as it deems relevant in light of the specific type of award) the contributions, responsibilities and other compensation of the particular Participant.

9.2 Performance Stock Units. Any Participant selected by the Committee may be granted one or more Performance Stock Unit awards which shall be denominated in units of value including dollar value of shares of Stock and which may be linked to any one or more of the Performance Goals or other specific performance criteria determined appropriate by the Committee, in each case on a specified date or dates or over any period or periods determined by the Committee. In making such determinations, the Committee shall consider (among such other factors as it deems relevant in light of the specific type of award) the contributions, responsibilities and other compensation of the particular Participant.

9.3 Dividend Equivalents. Any Participant selected by the Committee may be granted Dividend Equivalents based on the dividends declared on the Shares that are subject to any Award, to be credited as of dividend payment dates, during the period between the date the Award is granted and the date the Award is exercised, vests or expires, as determined by the Committee. Such Dividend Equivalents shall be converted to cash or additional shares of Stock by such formula and at such time and subject to such limitations as may be determined by the Committee, in a matter consistent with the rules of Section 409A of the Code; provided that, to the extent Shares subject to an Award are subject to vesting conditions, any Dividend Equivalents relating to such Shares shall be subject to the same vesting conditions.

9.4 Deferred Stock. Any Participant selected by the Committee may be granted an award of Deferred Stock in the manner determined from time to time by the Committee. The number of shares of Deferred Stock shall be determined by the Committee and may be linked to the Performance Criteria or other specific performance criteria determined to be appropriate by the Committee, in each case on a specified date or dates or over any period or periods determined by the Committee. Stock underlying a Deferred Stock Award will not be issued until the Deferred Stock Award has vested, pursuant to a vesting schedule or performance criteria set by the Committee. Unless otherwise provided by the Committee, a Participant awarded Deferred Stock shall have no rights as a Company stockholder with respect to such Deferred Stock until such time as the Deferred Stock Award has vested and the Stock underlying the Deferred Stock Award has been issued.

9.5 Other Stock-Based Awards. Any Participant selected by the Committee may be granted one or more Awards that provide Participants with shares of Stock or the right to purchase shares of Stock or that have a value derived from the value of, or an exercise or conversion privilege at a price related to, or that are otherwise payable in shares of Stock and which may be linked to any one or more of the Performance Goals or other specific performance criteria determined appropriate by the Committee, in each case on a specified date or dates or over any period or periods determined by the Committee. In making such determinations, the Committee shall consider (among such other factors as it deems relevant in light of the specific type of Award) the contributions, responsibilities and other compensation of the particular Participant.

9.6 Performance Bonus Awards. Any Participant selected by the Committee may be granted one or more Awards in the form of a cash bonus (a "Performance Bonus Award") payable upon the attainment of Performance Goals that are established by the Committee, in each case on a specified date or dates or over any period or periods determined by the Committee.

9.7 Term. Except as otherwise provided herein, the term of any Award of Performance Shares, Performance Stock Units, Dividend Equivalents, Deferred Stock, Other Stock-Based Award and Performance Bonus Award shall be set by the Committee in its discretion.

9.8 Exercise or Purchase Price. The Committee may establish the exercise or purchase price, if any, of any Award of Performance Shares, Performance Stock Units, Deferred Stock, Other Stock-Based Award and Performance Bonus Award; provided, however, that such price shall not be less than the Fair Market Value of a share of Stock on the date of grant, unless otherwise permitted by Applicable Law.

9.9 Exercise Upon Termination of Employment or Service. An Award of Performance Shares, Performance Stock Units, Deferred Stock, Other Stock-Based Award and Performance Bonus Award shall only be exercisable or payable while the Participant is an Employee, Consultant or Non-Employee Director, as applicable; provided, however, that the Committee in its sole and absolute discretion may provide that an Award of Performance Shares, Performance Stock Units, Deferred Stock, Stock Appreciation Rights, Other Stock-Based Award and Performance Bonus Award may be exercised or paid subsequent to a Termination of Employment without Cause. In the event of the Termination of Employment of a Participant by the Company for Cause, all Awards under this Article 9 shall be forfeited by the Participant to the Company.

9.10 Form of Payment. Payments with respect to any Awards granted under this Article 9 shall be made in cash, in Stock or a combination of both, as determined by the Committee.

9.11 Award Agreement. All Awards under this Article 9 shall be subject to such additional terms and conditions as determined by the Committee and shall be evidenced by a written Award Agreement.

Article 10

Change in Control

10.1 Vesting Upon Change in Control. For the avoidance of doubt, the Committee may not accelerate the vesting and exercisability (as applicable) of any outstanding Awards, in whole or in part, solely upon the occurrence of a Change in Control except as provided in this Section 10.1. In the event of a Change in Control after the date of the adoption of the Plan, then:

(a) to the extent an outstanding Award subject solely to time-based vesting is not assumed or replaced by a comparable Award referencing shares of the capital stock of the successor corporation or its “parent corporation” (as defined in Section 424(e) of the Code) or “subsidiary corporation” (as defined in Section 424(f) of the Code) which is publicly traded on a national stock exchange or quotation system, as determined by the Committee in its sole discretion, with appropriate adjustments as to the number and kinds of shares and the exercise prices, if applicable, then any outstanding Award subject solely to time-based vesting then held by Participants that is unexercisable, unvested or still subject to restrictions or forfeiture shall, in each case as specified by the Committee in the applicable Award Agreement or otherwise, be deemed exercisable or otherwise vested, as the case may be, as of immediately prior to such Change in Control;

(b) all Awards that vest subject to the achievement of any performance goal, target performance level, or similar performance-related requirement shall, in each case as specified by the Committee in the applicable Award Agreement or otherwise, either (A) be canceled and terminated without any payment or consideration therefor; or (B) automatically vest based on: (1) actual achievement of any applicable Performance Goals through the date of the Change in Control, as determined by the Committee in its sole discretion; or (2) achievement of target performance levels (or the greater of actual achievement of any applicable Performance Goals through the date of the Change in Control, as determined by the Committee in its sole discretion, and target performance levels); *provided that* in the case of vesting based on target performance levels, such Awards shall also be prorated based on the portion of the Performance Period elapsed prior to the Change in Control; and, in the case of this clause (B), shall be paid at the earliest time permitted under the terms of the applicable agreement, plan or arrangement that will not trigger a tax or penalty under Section 409A of the Code, as determined by the Committee; and

(c) Each outstanding Award that is assumed in connection with a Change in Control, or is otherwise to continue in effect subsequent to the Change in Control, will be appropriately adjusted, immediately after the Change in Control, as to the number and class of securities and other relevant terms in accordance with Section 4.3.

10.2 Termination of Employment Upon Change in Control. Notwithstanding any other provision of the Plan to the contrary, and except as may otherwise be provided in any applicable Award Agreement or other written agreement entered into between the Company or Affiliate and a Participant, upon (i) a Participant’s involuntary Termination of Employment without Cause on or within one (1) year following a Change in Control, or (ii) a Participant’s Termination of Employment for Good Reason (including the Termination of Employment of the Participant if he or she is employed by an Affiliate at the time the Company sells or otherwise divests itself of such Affiliate), all outstanding Awards shall immediately become fully vested and exercisable; *provided that* Restricted Stock Units shall be settled in accordance with the terms of the grant without regard to the Change in Control unless the Change in Control constitutes a “change in control event” within the meaning of Section 409A of the Code and such Termination of Employment occurs within one (1) year following such Change in Control, in which case the Restricted Stock Units shall be settled and paid out with such Termination of Employment.

10.3 Cancellation and Termination of Awards. The Committee may, in connection with any merger, consolidation, share exchange or other transaction entered into by the Company in good faith, determine that any outstanding Awards granted under the Plan, whether or not vested, will be canceled and terminated and that in connection with such cancellation and termination the holder of such Award may receive for each Share subject to such Award a cash payment (or the delivery of shares of stock, other securities or a combination of cash, stock and securities equivalent to such cash payment) equal to the difference, if any, between the amount determined by the Committee to be the Fair Market Value of the Stock and the purchase price per Share (if any) under the Award multiplied by the number of Shares subject to such Award; provided that if such product is zero or less or to the extent that the Award is not then exercisable, the Award will be canceled and terminated without payment therefor.

Article 11

Amendment, Modification, and Termination

11.1 Amendment, Modification, and Termination of Plan. At any time and from time to time, the Board may amend, modify, alter, suspend, discontinue or terminate the Plan, in whole or in part, without stockholder approval; provided, however, that (a) to the extent necessary and desirable to comply with any Applicable Law, regulation, or stock exchange rule, the Company shall obtain stockholder approval of any Plan amendment in such a manner and to such a degree as required, and (b) stockholder approval is required for any amendment to the Plan that (i) increases the number of shares available under the Plan (other than any adjustment as provided by Section 4.3) or the number of shares available for issuance as ISOs, or (ii) permits the Committee to grant Options with an Exercise Price that is below Fair Market Value on the date of grant, or (iii) permits the Committee to extend the exercise period for an Option beyond ten (10) years from the date of grant, or (iv) results in a material increase in benefits or a change in eligibility requirements, or (v) change the granting corporation or (vi) the type of stock.

11.2 Amendment of Awards. Subject to Section 4.3, at any time and from time to time, the Committee may amend the terms of any one or more outstanding Awards, provided that the Award as amended is consistent with the terms of the Plan or if necessary or advisable for the purpose of conforming the Plan or an Award Agreement to any present or future law relating to plans of this or similar nature (including, without limitation, Section 409A and, to the extent applicable, Section 162(m) of the Code), and to the administrative regulations and rulings promulgated thereunder. Notwithstanding any provision in this Plan to the contrary, absent approval of the stockholders of the Company, no Option may be amended to reduce the per share Exercise Price of the shares subject to such Option below the per share exercise price as of the date the Option is granted and, except as permitted by Section 4.3, no Option may be granted in exchange for, or in connection with, the cancellation or surrender of an Option having a higher per share Exercise Price.

11.3 Awards Previously Granted. No termination, amendment, or modification of the Plan or any Award shall adversely affect in any material way any Award previously granted under the Plan, without the written consent of the Participant holding such Award; provided, however, that any such modification made for the purpose of complying with Section 409A of the Code may be made by the Company without the consent of any Participant.

11.4 Repricing and Backdating Prohibited. Notwithstanding anything in this Plan to the contrary, except as provided under Section 4.3 and Section 11.2, neither the Committee nor any other person may (i) amend the terms of outstanding Options or SARs to reduce the exercise or grant price of such outstanding Options or SARs; (ii) cancel outstanding Options or SARs in exchange for Options or SARs with an exercise or grant price that is less than the exercise price of the original Options or SARs; or (iii) cancel outstanding Options or SARs with an exercise or grant price above the current Share price in exchange for cash or other securities. In addition, the Committee may not make a grant of an Option or SAR with a grant date that is effective prior to the date the Committee takes action to approve such Award.

Article 12

Withholding

12.1 Tax Withholding. Unless otherwise provided by the Committee, the Company shall deduct or withhold any amount needed to satisfy any foreign, federal, state, or local tax (including but not limited to the Participant's employment tax obligations) required by law to be withheld with respect to any taxable event arising or as a result of this Plan ("Withholding Taxes").

12.2 Share Withholding. Unless otherwise provided by the Committee, upon the exercise of Options, the lapse of restrictions on Restricted Stock, the vesting of Restricted Stock Units the distribution of Performance Shares in the form of Stock, or any other taxable event hereunder involving the transfer of Stock to a Participant, the Company shall withhold Stock equal in value, using the Fair Market Value on the date determined by the Company to be used to value the Stock for tax purposes, to the Withholding Taxes applicable to such transaction.

Any fractional Share of Stock payable to a Participant shall be withheld as additional Federal withholding, or, at the option of the Company, paid in cash to the Participant.

Unless otherwise determined by the Committee, when the method of payment for the Exercise Price is from the sale by a stockbroker pursuant to Section 6.5(c), herein, of the Stock acquired through the Option exercise, then the tax withholding shall be satisfied out of the proceeds. For administrative purposes in determining the amount of taxes due, the sale price of such Stock shall be deemed to be the Fair Market Value of the Stock.

If permitted by the Committee, prior to the end of any Performance Period a Participant may elect to have a greater amount of Stock withheld from the distribution of Performance Shares to pay withholding taxes; provided, however, the Committee may prohibit or limit any individual election or all such elections at any time.

Alternatively, or in combination with the foregoing, the Committee may require Withholding Taxes to be paid in cash by the Participant or by the sale of a portion of the Stock being distributed in connection with an Award, or by a combination thereof.

The withholding of taxes is intended to comply with the requirements of Rule 10b5-1(c)(1)(i)(B) of the Exchange Act to the extent permitted by law.

Article 13

General Provisions Applicable to Awards

13.1 Minimum Vesting. Subject to Section 10.1, each Award shall have a minimum vesting period of one (1) year; provided that the Committee may determine in its sole discretion that up to five percent (5%) of the Shares available for issuance under the Plan may be granted free of such minimum vesting requirements.

13.2 Form of Payment. Subject to the provisions of this Plan, the Award Agreement and any Applicable Law, payments or transfers to be made by the Company or any Affiliate on the grant, exercise, or settlement of any Award may be made in such form as determined by the Committee including, without limitation, cash, Stock, other Awards, other property, or any combination thereof, and may be made in a single payment or transfer, in installments, or any combination thereof, in each case determined by rules adopted by the Committee.

13.3 Treatment of Dividends and Dividend Equivalents on Unvested Awards. Notwithstanding any other provision of the Plan to the contrary, with respect to any Award that provides for or includes a right to dividends or Dividend Equivalents, if dividends are declared during the period that an equity Award is outstanding, such dividends (or Dividend Equivalents) shall either (i) not be paid or credited with respect to such Award or (ii) be accumulated but remain subject to vesting requirement(s) to the same extent as the applicable Award and shall only be paid at the time or times such vesting requirement(s) are satisfied.

13.4 Limits on Transfer.

(a) Except as otherwise provided in Section 13.4(b),

(i) no Award may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or the laws of descent and distribution or pursuant to a domestic relations order, unless and until such Award has been exercised, or the Shares underlying such Award have been issued, and all restrictions applicable to such Shares have lapsed;

(ii) no Award or interest or right therein shall be liable for or otherwise subject to the debts, contracts or engagements of the Participant or the Participant's successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, hypothecation, encumbrance, assignment or any other means whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy) unless and until such Award has been exercised, or the Shares underlying such Award have been issued, and all restrictions applicable to such Shares have lapsed, and any attempted disposition of an Award prior to satisfaction of these conditions shall be null and void and of no effect, except to the extent that such disposition is permitted by Section 13.4(a)(i); and

(iii) during a Participant's lifetime, only the Participant or the Participant's guardian or legal representative may exercise an Award (or any portion thereof) granted to him or her under the Plan, unless it has been disposed of pursuant to a domestic relations order. After a Participant's death, any exercisable portion of an Award may, prior to the time when such portion becomes unexercisable under the Plan or the applicable Award Agreement, be exercised by such Participant's personal representative or by any person empowered to do so under the deceased Participant's will or under the then applicable laws of descent and distribution.

(b) Notwithstanding Section 13.4(a), the Committee, in its sole discretion, may determine to permit a Participant or a Permitted Transferee of such Participant to transfer an Award other than an Incentive Stock Option (unless such Incentive Stock Option is intended to become a Nonqualified Stock Option) to any one or more Permitted Transferees of such Participant without consideration, subject to the following terms and conditions: (i) an Award transferred to a Permitted Transferee shall not be assignable or transferable by the Permitted Transferee other than (A) to another Permitted Transferee of the applicable Participant or (B) by will or the laws of descent and distribution or, subject to the consent of the Committee, pursuant to a domestic relations order; (ii) an Award transferred to a Permitted Transferee shall continue to be subject to all the terms and conditions of the Award as applicable to the original Participant (other than the ability to further transfer the Award to any person other than another Permitted Transferee of the applicable Participant); and (iii) the Participant (or transferring Permitted Transferee) and the receiving Permitted Transferee shall execute any and all documents requested by the Committee, including, without limitation documents to (A) confirm the status of the transferee as a Permitted Transferee, (B) satisfy any requirements for an exemption for the transfer under Applicable Law and (C) evidence the transfer. In addition, and further notwithstanding Section 13.4(a), hereof, the Committee, in its sole discretion, may determine to permit a Participant to transfer Incentive Stock Options to a trust that constitutes a Permitted Transferee if, under Section 671 of the Code and other Applicable Law, the Participant is considered the sole beneficial owner of the Incentive Stock Option while it is held in the trust.

13.5 Beneficiaries. Notwithstanding Section 13.4, if provided in the applicable Award Agreement, a Participant may, in the manner determined by the Committee, designate a beneficiary to exercise the rights of the Participant and to receive any distribution with respect to any Award upon the Participant's death. A beneficiary, legal guardian, legal representative, or other person claiming any rights pursuant to the Plan is subject to all terms and conditions of the Plan and any Award Agreement applicable to the Participant, except to the extent the Plan and Award Agreement otherwise provide, and to any additional restrictions deemed necessary or appropriate by the Committee. If the Participant is married and resides in a community property state, a designation of a person other than the Participant's spouse as his or her beneficiary with respect to more than fifty percent (50%) of the Participant's interest in the Award shall not be effective without the prior written consent of the Participant's spouse. If no beneficiary has been designated or survives the Participant, payment shall be made to the person entitled thereto pursuant to the Participant's will or the laws of descent and distribution. Subject to the foregoing, a beneficiary designation may be changed or revoked by a Participant at any time provided the change or revocation is filed with the Committee.

13.6 Forfeiture Events/Representations. The Committee may specify in an Award Agreement at the time of the Award that the Participant's rights, payments and benefits with respect to an Award shall be subject to reduction, cancellation, forfeiture or recoupment upon the occurrence of certain specified events, in addition to any otherwise applicable vesting or performance conditions of an Award. Such events shall include, but shall not be limited to, termination of Service for Cause, violation of material Company policies, breach of noncompetition, confidentiality or other restrictive covenants that may apply to the Participant, or other conduct by the Participant that is detrimental to the business or reputation of the Company. The Committee may also specify in an Award Agreement that the Participant's rights, payments and benefits with respect to an Award shall be conditioned upon the Participant making a representation regarding compliance with noncompetition, confidentiality or other restrictive covenants that may apply to the Participant and providing that the Participant's rights, payments and benefits with respect to an Award shall be subject to reduction, cancellation, forfeiture or recoupment on account of a breach of such representation. In addition and without limitation of the foregoing, any amounts paid hereunder shall be subject to recoupment in accordance with The Dodd-Frank Wall Street Reform and Consumer Protection Act and any implementing regulations thereunder, any "clawback" policy adopted by the Company or as is otherwise required by applicable law or stock exchange listing condition.

13.7 No Fractional Shares. No fractional Shares shall be issued or delivered pursuant to the Plan or any Award. The Committee shall determine whether cash, Awards, or other property shall be issued or paid in lieu of fractional Shares or whether such fractional Shares or any rights thereto shall be forfeited or otherwise eliminated.

13.8 Reservation of Stock. The Company shall at all times during the term of the Plan and any outstanding Awards granted hereunder reserve or otherwise keep available such number of Shares of Stock as will be sufficient to satisfy the requirements of the Plan (if then in effect) and the Awards and shall pay all fees and expenses necessarily incurred by the Company in connection therewith.

13.9 Reimbursement of Company for Unearned or Ill-gotten Gains. Unless otherwise specifically provided in an Award Agreement, and to the extent permitted by Applicable Law, if the Company is required to prepare an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, the Committee may, without obtaining the approval or consent of the Company's shareholders or of any Participant, require that any Participant who personally engaged in one of more acts of fraud or misconduct that have caused or partially caused the need for such restatement or any current or former chief executive officer, chief financial officer, or executive officer, regardless of their conduct, to reimburse the Company in a manner consistent with Section 409A of the Code, if the Award constitutes "Non-Qualified Deferred Compensation," for all or any portion of any Awards granted or settled under this Plan (with each such case being a "Reimbursement"), or the Committee may require the termination or rescission of, or the recapture associated with, any Award, in excess of the amount the Participant would have received under the accounting restatement.

13.10 Delay in Payment. To the extent required in order to avoid the imposition of any interest and/or additional tax under Section 409A(a)(1)(B) of the Code, any amount that is considered deferred compensation under the Plan or Award Agreement and that is required to be postponed pursuant to Section 409A of the Code, following the a Participant's Termination of Employment shall be delayed for six (6) months if a Participant is deemed to be a "specified employee" as defined in Section 409A(a)(2)(i)(B) of the Code; provided that, if the Participant dies during the postponement period prior to the payment of the postponed amount, the amounts withheld on account of Section 409A of the Code shall be paid to the executor or administrator of the decedent's estate within 60 days following the date of his death. A "Specified Employee" means any Participant who is a "key employee" (as defined in Section 416(i) of the Code without regard to paragraph (5) thereof), as determined by the Company in accordance with its uniform policy with respect to all arrangements subject to Section 409A of the Code, based upon the twelve (12) month period ending on each December 31st (the "Identification Period"). All Participants who are determined to be key employees under Section 416(i) of the Code (without regard to paragraph (5) thereof) during the identification period shall be treated as Specified Employees for purposes of the Plan during the twelve (12) month period that begins on the first day of the 4th month following the close of such identification period.

Article 14

Successors

All obligations of the Company under the Plan, with respect to Awards granted hereunder, shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company.

Article 15

Miscellaneous Provisions

15.1 Substitute Awards in Corporate Transactions. Nothing contained in the Plan shall be construed to limit the right of the Committee to grant Awards under the Plan in connection with the acquisition, whether by purchase, merger, consolidation or other corporate transaction, of the business or assets of any corporation or other entity. Without limiting the foregoing, the Committee may grant Awards under the Plan to an employee or director of another corporation who becomes an Eligible Person by reason of any such corporate transaction in substitution for awards previously granted by such corporation or entity to such person. The terms and conditions of the substitute Awards may vary from the terms and conditions that would otherwise be required by the Plan solely to the extent the Committee deems necessary for such purpose. Any shares of Stock subject to these substitute Awards shall not be counted against any of the maximum share limitations set forth in the Plan.

15.2 409A Compliance. It is intended that all Awards issued under the Plan be in a form and administered in a manner that will comply with the requirements of Section 409A of the Code, or the requirements of an exception to Section 409A of the Code, and the Award Agreement and this Plan will be construed and administered in a manner that is consistent with and gives effect to such intent. The Committee is authorized to adopt rules or regulations deemed necessary or appropriate to qualify for an exception from or to comply with the requirements of Section 409A of the Code. With respect to an Award that constitutes a deferral of compensation subject to Section 409A of the Code: (i) if any amount is payable under such Award upon a termination of service, a termination of service will be treated as having occurred only at such time the Participant has experienced a "separation from service" as such term is defined for purposes of Section 409A of the Code; (ii) if any amount is payable under such Award upon a disability, a disability will be treated as having occurred only at such time the Participant has experienced a "disability" as such term is defined for purposes of Section 409A of the Code; (iii) if any amount is payable under such Award on account of the occurrence of a Change in Control, a Change in Control will be treated as having occurred only at such time a "change in the ownership or effective control of the corporation or in the ownership of a substantial portion of the assets of the corporation" has occurred as such terms are defined for purposes of Section 409A of the Code, (iv) if any amount becomes payable under such Award on account of a Participant's separation from service at such time as the Participant is a "specified employee" within the meaning of Section 409A of the Code, then no payment shall be made, except as permitted under Section 409A of the Code, prior to the first business day after the earlier of (y) the date that is six months after the date of the Participant's separation from service or (z) the Participant's death, (v) any right to receive any installment payments under this Plan shall be treated as a right to receive a series of separate payments and, accordingly, each installment payment hereunder shall at all times be considered a separate and distinct payment, and (vi) no amendment to or payment under such Award will be made except and only to the extent permitted under Section 409A of the Code.

Notwithstanding the foregoing, the tax treatment of the benefits provided under the Plan or any Award Agreement is not warranted or guaranteed, and in no event shall the Company be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Participant on account of non-compliance with Section 409A of the Code.

15.3 Section 16(b) of the Exchange Act. All elections and transactions under the Plan by persons subject to Section 16 of the Exchange Act involving shares of Stock are intended to comply with any applicable exemptive condition under Rule 16b-3. The Committee may, in its sole discretion, establish and adopt written administrative guidelines, designed to facilitate compliance with Section 16(b) of the Exchange Act, as it may deem necessary or proper for the administration and operation of the Plan and the transaction of business thereunder.

15.4 Unfunded Status of the Plan. The Plan is intended to constitute an “unfunded” plan for incentive compensation, and the Plan is not intended to constitute a plan subject to the provisions of ERISA. With respect to any payments not yet made to a Participant by the Company, nothing contained herein shall give any such Participant any rights that are greater than those of a general creditor of the Company. In its sole discretion, the Committee may authorize the creation of trusts or other arrangements to meet the obligations created under the Plan to deliver Stock or payments with respect to Options, Stock Appreciation Rights and other Awards hereunder, provided, however, that the existence of such trusts or other arrangements is consistent with the unfunded status of the Plan.

15.5 Nonexclusivity of the Plan. Neither the adoption of the Plan by the Board nor the submission of the Plan to the stockholders of the Company shall be construed as creating any limitations on the power of the Board to adopt such other incentive arrangements as it may deem desirable, including without limitation, the granting of stock options and restricted stock other than under the Plan, and such arrangements may be either applicable generally or only in specific cases.

15.6 Investment Representations. The Company shall be under no obligation to issue any shares covered by any Award unless the shares to be issued pursuant to Awards granted under the Plan have been effectively registered under the Securities Act of 1933, as amended, or the Participant shall have made such written representations to the Company (upon which the Company believes it may reasonably rely) as the Company may deem necessary or appropriate for purposes of confirming that the issuance of such shares will be exempt from the registration requirements of that Act and any applicable state securities laws and otherwise in compliance with all applicable laws, rules and regulations, including but not limited to that the Participant is acquiring the shares for his or her own account for the purpose of investment and not with a view to, or for sale in connection with, the distribution of any such shares.

15.7 Registration. If the Company shall deem it necessary or desirable to register under the Securities Act of 1933, as amended or other applicable statutes any Shares of Stock issued or to be issued pursuant to Awards granted under the Plan, or to qualify any such Shares of Stock for exemption from the Securities Act of 1933, as amended or other applicable statutes, then the Company shall take such action at its own expense. The Company may require from each recipient of an Award, or each holder of Shares of Stock acquired pursuant to the Plan, such information in writing for use in any registration statement, prospectus, preliminary prospectus or offering circular as is reasonably necessary for that purpose and may require reasonable indemnity to the Company and its officers and directors from that holder against all losses, claims, damage and liabilities arising from use of the information so furnished and caused by any untrue statement of any material fact therein or caused by the omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances under which they were made. In addition, the Company may require of any such person that he or she agree that, without the prior written consent of the Company or the managing underwriter in any public offering of Shares of Stock, he or she will not sell, make any short sale of, loan, grant any option for the purchase of, pledge or otherwise encumber, or otherwise dispose of, any shares of Stock during the 180 day period commencing on the effective date of the registration statement relating to the underwritten public offering of securities. Without limiting the generality of the foregoing provisions of this Section 15.7, if in connection with any underwritten public offering of securities of the Company the managing underwriter of such offering requires that the Company’s directors and officers enter into a lock-up agreement containing provisions that are more restrictive than the provisions set forth in the preceding sentence, then (a) each holder of shares of Stock acquired pursuant to the Plan (regardless of whether such person has complied or complies with the provisions of clause (b) below) shall be bound by, and shall be deemed to have agreed to, the same lock-up terms as those to which the Company’s directors and officers are required to adhere; and (b) at the request of the Company or such managing underwriter, each such person shall execute and deliver a lock-up agreement in form and substance equivalent to that which is required to be executed by the Company’s directors and officers.

15.8 Placement of Legends; Stop Orders; etc. Each share of Stock to be issued pursuant to Awards granted under the Plan may bear a reference to the investment representation made in accordance with Section 15.4 in addition to any other applicable restriction under the Plan, the terms of the Award and to the fact that no registration statement has been filed with the Securities and Exchange Commission in respect to such shares of Stock. All shares of Stock or other securities delivered under the Plan shall be subject to such stock transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations, and other requirements of any stock exchange upon which the Stock is then listed, and any applicable federal or state securities law, and the Committee may cause a legend or legends to be put on any certificates or recorded in connection with book-entry accounts representing the shares to make appropriate reference to such restrictions.

15.9 Uncertificated Shares. To the extent that the Plan provides for issuance of certificates to reflect the transfer of Shares, the transfer of such Shares may be effected on a noncertificated basis, to the extent not prohibited by Applicable Law.

15.10 Limitation of Rights in Stock. A Participant shall not be deemed for any purpose to be a stockholder of the Company with respect to any of the Shares of Stock subject to an Award, unless and until Shares shall have been issued therefor and delivered to the Participant or his agent. Any Stock to be issued pursuant to Awards granted under the Plan shall be subject to all restrictions upon the transfer thereof which may be now or hereafter imposed by the Certificate of Incorporation and the Bylaws of the Company.

15.11 Employment Not Guaranteed. Nothing in the Plan shall interfere with or limit in any way the right of the Company (or any Affiliate) to terminate any Participant's Employment at any time, nor confer upon any Participant any right to continue in the employ of the Company (or any Affiliate), subject to the terms of any separate employment or consulting agreement or provision of law or corporate articles or by-laws to the contrary, at any time to terminate such employment or consulting agreement or to increase or decrease, or otherwise adjust, the other terms and conditions of the recipient's employment or other association with the Company and its Affiliates.

15.12 Other Compensation Arrangements. Nothing contained in this Plan shall prevent the Board from adopting other or additional compensation arrangements, subject to shareholder approval if such approval is required; and such arrangements may be either generally applicable or applicable only in specific cases.

15.13 Gender and Number. Except where otherwise indicated by the context, any masculine term used herein also shall include the feminine; the plural shall include the singular and the singular shall include the plural.

15.14 Severability. In the event any provision of the Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

15.15 Requirements of Law. The granting of Awards and the issuance of Shares under the Plan shall be subject to Applicable Law and to such approvals by any governmental agencies or national securities exchanges as may be required.

15.16 Errors. At any time the Company may correct any error made under the Plan without prejudice to the Company. Such corrections may include, among other things, changing or revoking an issuance of an Award.

15.17 Elections and Notices. Notwithstanding anything to the contrary contained in this Plan, all elections and notices of every kind shall be made on forms prepared by the Company or the General Counsel, Secretary or Assistant Secretary, or their respective delegates or shall be made in such other manner as permitted or required by the Company or the General Counsel, Secretary or Assistant Secretary, or their respective delegates, including but not limited to elections or notices through electronic means, over the Internet or otherwise. An election shall be deemed made when received by the Company (or its designated agent, but only in cases where the designated agent has been appointed for the purpose of receiving such election), which may waive any defects in form. The Company may limit the time an election may be made in advance of any deadline.

Where any notice or filing required or permitted to be given to the Company under the Plan, it shall be delivered to the principal office of the Company, directed to the attention of the General Counsel of the Company or his or her successor. Such notice shall be deemed given on the date of delivery.

Notice to the Participant shall be deemed given when mailed (or sent by telecopy) to the Participant's work or home address as shown on the records of the Company or, at the option of the Company, to the Participant's e-mail address as shown on the records of the Company.

It is the Participant's responsibility to ensure that the Participant's addresses are kept up to date on the records of the Company. In the case of notices affecting multiple Participants, the notices may be given by general distribution at the Participants' work locations.

15.18 Governing Law. To the extent not preempted by Federal law, the Plan, and all awards and agreements hereunder, and any and all disputes in connection therewith, shall be governed by and construed in accordance with the substantive laws of the State of Delaware, without regard to conflict or choice of law principles which might otherwise refer the construction, interpretation or enforceability of this Plan to the substantive law of another jurisdiction.

15.19 Venue. The Company and the Participant to whom an Award under this Plan is granted, for themselves and their successors and assigns, irrevocably submit to the exclusive and sole jurisdiction and venue of the state or federal courts of Delaware with respect to any and all disputes arising out of or relating to this Plan, the subject matter of this Plan or any awards under this Plan, including but not limited to any disputes arising out of or relating to the interpretation and enforceability of any awards or the terms and conditions of this Plan. To achieve certainty regarding the appropriate forum in which to prosecute and defend actions arising out of or relating to this Plan, and to ensure consistency in application and interpretation of the Governing Law to the Plan, the parties agree that (a) sole and exclusive appropriate venue for any such action shall be an appropriate federal or state court in Delaware, and no other, (b) all claims with respect to any such action shall be heard and determined exclusively in such Delaware court, and no other, (c) such Delaware court shall have sole and exclusive jurisdiction over the person of such parties and over the subject matter of any dispute relating hereto and (d) that the parties waive any and all objections and defenses to bringing any such action before such Delaware court, including but not limited to those relating to lack of personal jurisdiction, improper venue or forum non conveniens.

15.20 No Obligation to Notify. The Company shall have no duty or obligation to any holder of an Option to advise such holder as to the time or manner of exercising such Option. Furthermore, the Company shall have no duty or obligation to warn or otherwise advise such holder of a pending transaction or expiration of an Option or a possible period in which the Option may not be exercised. The Company has no duty or obligation to minimize the tax consequences of an Option to the holder of such Option.

**POWERFLEET, INC.
2018 INCENTIVE PLAN
ISRAELI APPENDIX**

This Israeli Appendix (the “**Appendix**”) to the 2018 Incentive Plan (as amended from time to time, the “**Plan**”) of POWERFLEET, INC. (the “**Company**”) shall apply only to Participants (as defined in the Plan) who are, or are deemed to be, residents of the State of Israel for Israeli tax purposes. This Appendix is made pursuant to Section 5.2 of the Plan.

1. GENERAL

1.1. The Committee, in its discretion, may grant Awards to eligible Participants and shall determine whether such Awards intended to be 102 Awards or 3(9) Awards. Each Award shall be evidenced by an Award Agreement, which shall expressly identify the Award type, and be in such form and contain such provisions, as the Committee shall from time to time deem appropriate.

1.2. The Plan shall apply to any Awards granted pursuant to this Appendix, provided, that the provisions of this Appendix shall supersede and govern in the case of any inconsistency or conflict, either explicit or implied, arising between the provisions of this Appendix and the Plan.

1.3. Unless otherwise defined in this Appendix, capitalized terms contained herein shall have the same meanings given to them in the Plan.

2. DEFINITIONS.

2.1. “**3(9) Award**” means any Award representing a right to purchase shares of Common Stock granted by the Company to any Participant who is not an Employee pursuant to Section 3(9) of the Ordinance.

2.2. “**102 Award**” means any Award intended to qualify (as set forth in the Award Agreement) and which qualifies under Section 102, provided it is settled only in shares of Common Stock.

2.3. “**102 Capital Gain Track Award**” means any Award granted by the Company to an Employee pursuant to Section 102(b)(2) or (3) (as applicable) of the Ordinance under the capital gain track.

2.4. “**102 Non-Trustee Award**” means any Award granted by the Company to an Employee pursuant to Section 102(c) of the Ordinance without a Trustee.

2.5. “**102 Ordinary Income Track Award**” means any Award granted by the Company to an Employee pursuant to Section 102(b)(1) of the Ordinance under the ordinary income track.

2.6. “**102 Trustee Awards**” means, collectively, 102 Capital Gain Track Awards and 102 Ordinary Income Track Awards.

2.7. “**Affiliate**” means, for purpose of 102 Trustee Award, an “employing company” within the meaning and subject to the conditions of Section 102(a) of the Ordinance.

2.8. “**Applicable Law**” shall mean any applicable law, rule, regulation, statute, pronouncement, policy, interpretation, judgment, order or decree of any federal, provincial, state or local governmental, regulatory or adjudicative authority or agency, of any jurisdiction, and the rules and regulations of any stock exchange, over-the-counter market or trading system on which the common stock of the Company are then traded or listed.

2.9. “**Controlling Stockholder**” means as to such term is defined in Section 32(9) of the Ordinance.

2.10. “**Election**” as defined in Section 3.2 below.

2.11. “**Employee**” means an “employee” within the meaning of Section 102(a) of the Ordinance (which as of the date of the adoption of this Appendix means (i) an individual employed by an Israeli company being an Affiliate, and (ii) an individual who is serving and is engaged personally (and not through an entity) as an “office holder” by an Affiliate, excluding any Controlling Stockholder).

2.12. “**ITA**” means the Israel Tax Authority.

2.13. “**Ordinance**” means the Israeli Income Tax Ordinance (New Version), 1961, including the Rules and any other regulations, rules, orders or procedures promulgated thereunder, as may be amended or replaced from time to time.

2.14. “**Required Holding Period**” as defined in Section 3.5.1 below.

2.15. “**Rules**” means the Income Tax Rules (Tax Reliefs in Stock Issuance to Employees) 5763-2003.

2.16. “**Section 102**” means Section 102 of the Ordinance.

2.17. “**Trust Agreement**” means the agreement to be signed between the Company, an Affiliate and the Trustee for the purposes of Section 102.

2.18. “**Trustee**” means the trustee appointed by the Company’s Board of Directors and/or by the Committee to hold the Awards and approved by the ITA.

2.19. “**Withholding Obligations**” as defined in Section 5.5 below.

3. 102 AWARDS

3.1. Tracks. Awards granted pursuant to this Section 3 are intended to be granted as either 102 Capital Gain Track Awards or 102 Ordinary Income Track Awards. 102 Trustee Awards shall be granted subject to the special terms and conditions contained in this Section 3 and the general terms and conditions of the Plan, except for any provisions of the Plan applying to Awards under different tax laws or regulations.

3.2. Election of Track. Subject to Applicable Law, the Company may grant only one type of 102 Trustee Award at any given time to all Participants who are to be granted 102 Trustee Awards pursuant to this Appendix, and shall file an election with the ITA regarding the type of 102 Trustee Award it elects to grant before the date of grant of any 102 Trustee Award (the “**Election**”). Such Election shall also apply to any other securities received by any Participant as a result of holding the 102 Trustee Awards. The Company may change the type of 102 Trustee Award that it elects to grant only after the expiration of at least 12 months from the end of the year in which the first grant was made in accordance with the previous Election, or as otherwise provided by Applicable Law. Any Election shall not prevent the Company from granting 102 Non-Trustee Awards.

3.3. Eligibility for Awards. Subject to Applicable Law, 102 Awards may only be granted to Employees. Such 102 Awards may either be granted to a Trustee or granted under Section 102 without a Trustee.

3.4. 102 Award Grant Date.

3.4.1. Each 102 Award will be deemed granted on the date determined by the Committee, subject to the provisions of the Plan, provided that (i) the Participant has signed all documents required by the Company or pursuant to Applicable Law, and (ii) with respect to any 102 Trustee Award, the Company has provided all applicable documents to the Trustee in accordance with the guidelines published by the ITA.

3.4.2. Unless otherwise permitted by the Ordinance, any grants of 102 Trustee Awards that are made on or after the date of the adoption of the Plan and this Appendix or an amendment to the Plan or this Appendix, as the case may be, that may become effective only at the expiration of thirty (30) days after the filing of the Plan and this Appendix or any amendment thereof (as the case may be) with the ITA in accordance with the Ordinance shall be conditional upon the expiration of such 30-day period, and such condition shall be read and is incorporated by reference into any corporate resolutions approving such grants and into any Award Agreement evidencing such grants (whether or not explicitly referring to such condition), and the date of grant shall be at the expiration of such 30-day period, whether or not the date of grant indicated therein corresponds with this Section. In the case of any contradiction, this provision and the date of grant determined pursuant hereto shall supersede and be deemed to amend any date of grant indicated in any corporate resolution or Award Agreement. Nevertheless, this 30-day period may be waived subject to a special tax ruling to be obtained from the ITA and pursuant to its terms, or may not apply to any exchange of equity pursuant to a special tax ruling and its terms.

3.5. 102 Trustee Awards.

3.5.1. Each 102 Trustee Award, each share of Common Stock issued pursuant to the grant, exercise or vesting of any 102 Trustee Award and any rights granted thereunder, shall be allocated or issued to and registered in the name of the Trustee and shall be held in trust or controlled by the Trustee (pursuant to an approval from the ITA) for the benefit of the Participant for the requisite period prescribed by the Ordinance or such longer period as set by the Committee (the “**Required Holding Period**”). In the event that the requirements under Section 102 to qualify an Award as a 102 Trustee Award are not met, then the Award may be treated as a 102 Non-Trustee Award or 3(9) Award (as determined by the Company), all in accordance with the provisions of the Ordinance. After the expiration of the Required Holding Period, the Trustee may release such 102 Trustee Awards and any such shares of Common Stock, provided that (i) the Trustee has received an acknowledgment from the ITA that the Participant has paid any applicable taxes due pursuant to the Ordinance, or (ii) the Trustee and/or the Company and/or the Affiliate withhold(s) all applicable taxes and compulsory payments due pursuant to the Ordinance arising from the 102 Trustee Awards and/or any shares of Common Stock issued upon exercise or (if applicable) vesting of such 102 Trustee Awards. The Trustee shall not release any 102 Trustee Awards or shares of Common Stock issued upon exercise or (if applicable) vesting thereof, or any rights received with respect to such Awards, prior to the payment in full of the Participant’s tax and compulsory payments arising from such 102 Trustee Awards and/or shares of Common Stock or the withholding referred to in (ii) above.

3.5.2. Each 102 Trustee Award shall be subject to the relevant terms of the Ordinance, the Rules and any determinations, rulings or approvals issued by the ITA, which shall be deemed an integral part of the 102 Trustee Awards and shall prevail over any term contained in the Plan, this Appendix or the Award Agreement that is not consistent therewith. Any provision of the Ordinance, the Rules and any determinations, rulings or approvals by the ITA not expressly specified in the Plan, this Appendix or Award Agreement that are necessary to receive or maintain any tax benefit pursuant to Section 102 shall be binding on the Participant. The Participant granted a 102 Trustee Award shall comply with the Ordinance and the terms and conditions of the Trust Agreement entered into between the Company and the Trustee. The Participant shall execute any and all documents that the Company and/or the Affiliate and/or the Trustee determine from time to time to be necessary in order to comply with the Ordinance and the Rules.

3.5.3. During the Required Holding Period, the Participant shall not release from trust or sell, assign, transfer or give as collateral, the shares of Common Stock issuable upon the exercise or (if applicable) vesting of a 102 Trustee Award and/or any securities issued or distributed with respect thereto, until the expiration of the Required Holding Period. Notwithstanding the above, if any such sale, release or other action occurs during the Required Holding Period it may result in adverse tax consequences to the Participant under Section 102 and the Rules, which shall apply to and shall be borne solely by such Participant. Subject to the foregoing, the Trustee may, pursuant to a written request from the Participant, but subject to the terms of the Plan and this Appendix, release and transfer such shares of Common Stock to a designated third party, provided that both of the following conditions have been fulfilled prior to such release or transfer: (i) payment has been made to the ITA of all taxes and compulsory payments required to be paid upon the release and transfer of the shares of Common Stock, and confirmation of such payment has been received by the Trustee and the Company, and (ii) the Trustee has received written confirmation from the Company that all requirements for such release and transfer have been fulfilled according to the terms of the Company’s corporate documents, any agreement governing the shares of Common Stock, the Plan, this Appendix, the Award Agreement and any Applicable Law.

3.5.4. If a 102 Trustee Award is exercised or (if applicable) vested, the shares of Common Stock issued upon such exercise or (if applicable) vesting shall be issued in the name of the Trustee for the benefit of the Participant, or shall be deposited with the Trustee, or be subject to the Trustee’s control, if approved by the ITA.

3.5.5. Upon or after receipt of a 102 Trustee Award, if required, the Participant may be required to sign an undertaking to release the Trustee from any liability with respect to any action or decision duly taken and executed in good faith by the Trustee in relation to the Plan, this Appendix, or any 102 Trustee Awards granted to such Participant hereunder.

3.6. 102 Non-Trustee Awards. The foregoing provisions of this Section 3 relating to 102 Trustee Awards shall not apply with respect to 102 Non-Trustee Awards, which shall, however, be subject to the relevant provisions of Section 102 and the applicable Rules. The Committee may determine that 102 Non-Trustee Awards, the shares of Common Stock issuable upon the exercise or (if applicable) vesting of a 102 Non-Trustee Award and/or any securities issued or distributed with respect thereto, shall be allocated or issued to the Trustee, who shall hold such 102 Non-Trustee Award and all accrued rights thereon (if any) in trust for the benefit of the Participant and/or the Company, as the case may be, until the full payment of tax arising from the 102 Non-Trustee Awards, the shares of Common Stock issuable upon the exercise or (if applicable) vesting of a 102 Non-Trustee Award and/or any securities issued or distributed with respect thereto. The Company may choose, alternatively, to require the Participant to provide the Company with a guarantee or other security, to the satisfaction of each of the Trustee and the Company, until the full payment of the applicable taxes.

3.7. Written Participant Undertaking. With respect to any 102 Trustee Award, as required by Section 102 and the Rules, by virtue of the receipt of such Award, the Participant is deemed to have undertaken and confirmed in writing the following (and such undertaking is deemed incorporated into any documents signed by the Participant in connection with the employment or service of the Participant and/or the grant of such Award). The following written undertaking shall be deemed to apply and relate to all 102 Trustee Awards granted to the Participant, whether under the Plan and this Appendix or other plans maintained by the Company, and whether prior to or after the date hereof:

3.7.1. The Participant shall comply with all terms and conditions set forth in Section 102 with regard to the “Capital Gain Track” or the “Ordinary Income Track”, as applicable, and the applicable rules and regulations promulgated thereunder, as amended from time to time;

3.7.2. The Participant is familiar with, and understands the provisions of, Section 102 in general, and the tax arrangement under the “Capital Gain Track” or the “Ordinary Income Track” in particular, and its tax consequences; the Participant agrees that the 102 Trustee Awards and shares of Common Stock that may be issued upon exercise or (if applicable) vesting of the 102 Trustee Awards (or otherwise in relation to the Awards), will be held by a trustee appointed pursuant to Section 102 for at least the duration of the “Holding Period” (as such term is defined in Section 102) under the “Capital Gain Track” or the “Ordinary Income Track”, as applicable. The Participant understands that any release of such 102 Trustee Awards or shares of Common Stock from trust, or any sale of the shares of Common Stock prior to the termination of the Holding Period, as defined above, will result in taxation at the marginal tax rate, in addition to deductions of appropriate social security, health tax contributions or other compulsory payments; and

3.7.3. The Participant agrees to the trust deed signed between the Company, his employing company and the trustee appointed pursuant to Section 102.

4. 3(9) AWARDS

4.1. Awards granted pursuant to this Section 4 are intended to constitute 3(9) Awards and shall be granted subject to the general terms and conditions of the Plan, except for any provisions of the Plan applying to Awards under different tax laws or regulations. In the event of any inconsistency or contradictions between the provisions of this Section 4 and the other terms of the Plan, this Section 4 shall prevail.

4.2. To the extent required by the Ordinance or the ITA or otherwise deemed by the Committee to be advisable, the 3(9) Awards and/or any shares of Common Stock or other securities issued or distributed with respect thereto granted pursuant to the Plan and this Appendix shall be issued to a trustee nominated by the Committee in accordance with the provisions of the Ordinance. In such event, the trustee shall hold such Awards and/or any shares of Common Stock or other securities issued or distributed with respect thereto in trust, until exercised by the Participant or (if applicable) vested, and the full payment of tax arising therefrom, pursuant to the Company’s instructions from time to time as set forth in a trust agreement, which will have been entered into between the Company and the trustee. If determined by the Committee, and subject to such trust agreement, the Trustee shall be responsible for withholding any taxes to which a Participant may become liable upon issuance of shares of Common Stock, whether due to the exercise or (if applicable) vesting of Awards.

4.3. Shares of Common Stock pursuant to a 3(9) Award shall not be issued, unless the Participant delivers to the Company payment in cash or by bank check or such other form acceptable to the Committee of all withholding taxes due, if any, on account of the Participant acquiring shares of Common Stock under the Award or the Participant provides other assurance satisfactory to the Committee of the payment of those withholding taxes.

5. AGREEMENT REGARDING TAXES; DISCLAIMER

5.1. If the Committee shall so require, as a condition of exercise of an Award or the release of shares of Common Stock by the Trustee, a Participant shall agree that, no later than the date of such occurrence, the Participant will pay to the Company (or the Trustee, as applicable) or make arrangements satisfactory to the Committee and the Trustee (if applicable) regarding payment of any applicable taxes and compulsory payments of any kind required by Applicable Law to be withheld or paid.

5.2. TAX LIABILITY. ALL TAX CONSEQUENCES UNDER ANY APPLICABLE LAW WHICH MAY ARISE FROM THE GRANT OF ANY AWARDS OR THE EXERCISE THEREOF, THE SALE OR DISPOSITION OF ANY SHARES OF COMMON STOCK GRANTED HEREUNDER OR ISSUED UPON EXERCISE OR (IF APPLICABLE) VESTING OF ANY AWARD, THE ASSUMPTION, SUBSTITUTION, CANCELLATION OR PAYMENT IN LIEU OF AWARDS OR FROM ANY OTHER ACTION IN CONNECTION WITH THE FOREGOING (INCLUDING WITHOUT LIMITATION ANY TAXES AND COMPULSORY PAYMENTS, SUCH AS SOCIAL SECURITY OR HEALTH TAX PAYABLE BY THE PARTICIPANT OR THE COMPANY IN CONNECTION THEREWITH) SHALL BE BORNE AND PAID SOLELY BY THE PARTICIPANT, AND THE PARTICIPANT SHALL INDEMNIFY THE COMPANY, THE AFFILIATE AND THE TRUSTEE, AND SHALL HOLD THEM HARMLESS AGAINST AND FROM ANY LIABILITY FOR ANY SUCH TAX OR PAYMENT OR ANY PENALTY, INTEREST OR INDEXATION THEREON. EACH PARTICIPANT AGREES TO, AND UNDERTAKES TO COMPLY WITH, ANY RULING, SETTLEMENT, CLOSING AGREEMENT OR OTHER SIMILAR AGREEMENT OR ARRANGEMENT WITH ANY TAX AUTHORITY IN CONNECTION WITH THE FOREGOING WHICH IS APPROVED BY THE COMPANY.

5.3. NO TAX ADVICE. THE PARTICIPANT IS ADVISED TO CONSULT WITH A TAX ADVISOR WITH RESPECT TO THE TAX CONSEQUENCES OF RECEIVING, EXERCISING OR DISPOSING OF AWARDS HEREUNDER. THE COMPANY DOES NOT ASSUME ANY RESPONSIBILITY TO ADVISE THE PARTICIPANT ON SUCH MATTERS, WHICH SHALL REMAIN SOLELY THE RESPONSIBILITY OF THE PARTICIPANT.

5.4. TAX TREATMENT. THE COMPANY DOES NOT UNDERTAKE OR ASSUME ANY LIABILITY OR RESPONSIBILITY TO THE EFFECT THAT ANY AWARD SHALL QUALIFY WITH ANY PARTICULAR TAX REGIME OR RULES APPLYING TO PARTICULAR TAX TREATMENT, OR BENEFIT FROM ANY PARTICULAR TAX TREATMENT OR TAX ADVANTAGE OF ANY TYPE AND THE COMPANY SHALL BEAR NO LIABILITY IN CONNECTION WITH THE MANNER IN WHICH ANY AWARD IS EVENTUALLY TREATED FOR TAX PURPOSES, REGARDLESS OF WHETHER THE AWARD WAS GRANTED OR WAS INTENDED TO QUALIFY UNDER ANY PARTICULAR TAX REGIME OR TREATMENT. THIS PROVISION SHALL SUPERSEDE ANY DESIGNATION OF AWARDS OR TAX QUALIFICATION INDICATED IN ANY CORPORATE RESOLUTION OR AWARD AGREEMENT, WHICH SHALL AT ALL TIMES BE SUBJECT TO THE REQUIREMENTS OF APPLICABLE LAW. THE COMPANY DOES NOT UNDERTAKE AND SHALL NOT BE REQUIRED TO TAKE ANY ACTION IN ORDER TO QUALIFY ANY AWARD WITH THE REQUIREMENTS OF ANY PARTICULAR TAX TREATMENT AND NO INDICATION IN ANY DOCUMENT TO THE EFFECT THAT ANY AWARD IS INTENDED TO QUALIFY FOR ANY TAX TREATMENT SHALL IMPLY SUCH AN UNDERTAKING. NO ASSURANCE IS MADE BY THE COMPANY OR THE AFFILIATE THAT ANY PARTICULAR TAX TREATMENT ON THE DATE OF GRANT WILL CONTINUE TO EXIST OR THAT THE AWARD WILL QUALIFY AT THE TIME OF EXERCISE OR DISPOSITION THEREOF WITH ANY PARTICULAR TAX TREATMENT. THE COMPANY AND THE AFFILIATE SHALL NOT HAVE ANY LIABILITY OR OBLIGATION OF ANY NATURE IN THE EVENT THAT AN AWARD DOES NOT QUALIFY FOR ANY PARTICULAR TAX TREATMENT, REGARDLESS WHETHER THE COMPANY COULD HAVE TAKEN ANY ACTION TO CAUSE SUCH QUALIFICATION TO BE MET AND SUCH QUALIFICATION REMAINS AT ALL TIMES AND UNDER ALL CIRCUMSTANCES AT THE RISK OF THE PARTICIPANT. THE COMPANY DOES NOT UNDERTAKE OR ASSUME ANY LIABILITY TO CONTEST A DETERMINATION OR INTERPRETATION (WHETHER WRITTEN OR UNWRITTEN) OF ANY TAX AUTHORITY, INCLUDING IN RESPECT OF THE QUALIFICATION UNDER ANY PARTICULAR TAX REGIME OR RULES APPLYING TO PARTICULAR TAX TREATMENT. IF THE AWARDS DO NOT QUALIFY UNDER ANY PARTICULAR TAX TREATMENT IT COULD RESULT IN ADVERSE TAX CONSEQUENCES TO THE PARTICIPANT.

5.5. The Company or the Affiliate may take such action as it may deem necessary or appropriate, in its discretion, for the purpose of or in connection with withholding of any taxes and compulsory payments which the Trustee, the Company or the Affiliate is required by any Applicable Law to withhold in connection with any Awards (collectively, “**Withholding Obligations**”). Such actions may include (i) requiring Participants to remit to the Company in cash an amount sufficient to satisfy such Withholding Obligations and any other taxes and compulsory payments, payable by the Company in connection with the Award or the exercise or (if applicable) vesting thereof; (ii) subject to Applicable Law, allowing the Participants to provide shares of Common Stock, in an amount that at such time, reflects a value that the Committee determines to be sufficient to satisfy such Withholding Obligations; (iii) withholding shares of Common Stock otherwise issuable upon the exercise of an Award at a value which is determined by the Committee to be sufficient to satisfy such Withholding Obligations; or (iv) any combination of the foregoing. The Company shall not be obligated to allow the exercise of any Award by or on behalf of a Participant until all tax consequences arising from the exercise of such Award are resolved in a manner acceptable to the Company.

5.6. Each Participant shall notify the Company in writing promptly and in any event within ten (10) days after the date on which such Participant first obtains knowledge of any tax bureau inquiry, audit, assertion, determination, investigation, or question relating in any manner to the Awards granted or received hereunder or shares of Common Stock issued thereunder and shall continuously inform the Company of any developments, proceedings, discussions and negotiations relating to such matter, and shall allow the Company and its representatives to participate in any proceedings and discussions concerning such matters. Upon request, a Participant shall provide to the Company any information or document relating to any matter described in the preceding sentence, which the Company, in its discretion, requires.

5.7. With respect to 102 Non-Trustee Awards, if the Participant ceases to be employed by the Company or any Affiliate, the Participant shall extend to the Company and/or the Affiliate with whom the Participant is employed a security or guarantee for the payment of taxes due at the time of sale of shares of Common Stock, all in accordance with the provisions of Section 102 and the Rules.

6. RIGHTS AND OBLIGATIONS AS A STOCKHOLDER

6.1. A Participant shall have no rights as a stockholder of the Company with respect to any shares of Common Stock covered by an Award until the Participant exercises the Award, pays the exercise price therefor and becomes the record holder of the subject shares of Common Stock. In the case of 102 Awards or 3(9) Awards (if such Awards are being held by a Trustee), the Trustee shall have no rights as a stockholder of the Company with respect to the shares of Common Stock covered by such Award until the Trustee becomes the record holder for such Common Stock for the Participant's benefit, and the Participant shall not be deemed to be a stockholder and shall have no rights as a stockholder of the Company with respect to the shares of Common Stock covered by the Award until the date of the release of such shares of Common Stock from the Trustee to the Participant and the transfer of record ownership of such shares of Common Stock to the Participant (provided however that the Participant shall be entitled to receive from the Trustee any cash dividend or distribution made on account of the shares of Common Stock held by the Trustee for such Participant's benefit, subject to any tax withholding and compulsory payment). No adjustment shall be made for dividends (ordinary or extraordinary, whether in cash, securities or other property) or distribution of other rights for which the record date is prior to the date on which the Participant or Trustee (as applicable) becomes the record holder of the shares of Common Stock covered by an Award, except as provided in the Plan.

6.2. With respect to shares of Common Stock issued upon the exercise or (if applicable) vesting of Awards hereunder, any and all voting rights attached to such Common Stock shall be subject to the provisions of the Plan, and the Participant shall be entitled to receive dividends distributed with respect to such shares of Common Stock, subject to the provisions of the Company's Certificate of Incorporation, as amended from time to time, and subject to any Applicable Law (after deduction of all applicable tax payments).

7. GOVERNING LAW

7.1. This Appendix shall be governed by, construed and enforced in accordance with the laws of the State of Delaware, without reference to conflicts of law principles, except that applicable Israeli laws, rules and regulations (as amended) shall apply to any mandatory tax matters arising hereunder.

2021 ANNUAL MEETING OF STOCKHOLDERS OF

POWERFLEET, INC.

July 20, 2021

IMPORTANT NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING:
The Notice of Meeting, Proxy Statement and Annual Report on Form 10-K for the year ended December 31, 2020
are available at the following website:
https://ir.powerfleet.com/proxy-materials

Please sign, date and mail
your proxy card in the
envelope provided as soon
as possible.

Please detach along perforated line and mail in the envelope provided.

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THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE ELECTION OF THE NOMINEES LISTED BELOW AND
"FOR" PROPOSAL NOS. 2, 3, 4 AND 5.

PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE [X]

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE NOMINEES LISTED BELOW.

1. Election of five directors, each to serve for a one-year term expiring at the Company's 2022 annual meeting of stockholders, and until their respective successors are duly elected and qualified.

- FOR ALL NOMINEES
WITHHOLD AUTHORITY FOR ALL NOMINEES
FOR ALL EXCEPT
NOMINEES: Michael Brodsky, Michael Casey, Charles Frumberg, David Mahlab, Chris Wolfe

INSTRUCTIONS: To withhold authority to vote for any individual nominee(s), mark "FOR ALL EXCEPT" and fill in the circle next to each nominee you wish to withhold, as shown here.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" PROPOSAL NO. 2.

2. Ratification of the appointment of Ernst & Young LLP as the independent registered public accounting firm of the Company for the fiscal year ending December 31, 2021.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" PROPOSAL NO. 3.

3. Approval, on an advisory basis, of the Company's executive compensation.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" PROPOSAL NO. 4.

4. Approval of an amendment to the Company's Amended and Restated Certificate of Incorporation to modify certain terms of the Company's Series A Convertible Preferred Stock.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" PROPOSAL NO. 5.

5. Approval of an amendment to the Company's 2018 Incentive Plan to increase the number of shares of common stock available for issuance thereunder.

UNLESS A CONTRARY DIRECTION IS INDICATED, THIS PROXY WILL BE VOTED "FOR" ALL NOMINEES LISTED IN PROPOSAL NO. 1 AND "FOR" PROPOSAL NOS. 2, 3, 4 AND 5, AS MORE SPECIFICALLY DESCRIBED IN THE COMPANY'S PROXY STATEMENT. IF SPECIFIC INSTRUCTIONS ARE INDICATED, THIS PROXY WILL BE VOTED IN ACCORDANCE THEREWITH. THIS PROXY ALSO DELEGATES DISCRETIONARY AUTHORITY TO VOTE WITH RESPECT TO ANY OTHER BUSINESS WHICH MAY PROPERLY COME BEFORE THE ANNUAL MEETING AND ANY ADJOURNMENTS, POSTPONEMENTS OR CONTINUATIONS THEREOF.

RECEIPT OF NOTICE OF THE ANNUAL MEETING AND PROXY STATEMENT IS HEREBY ACKNOWLEDGED, AND THE TERMS OF THE NOTICE AND PROXY STATEMENT ARE HEREBY INCORPORATED BY REFERENCE INTO THIS PROXY. THE UNDERSIGNED HEREBY REVOKES ALL PROXIES HERETOFORE GIVEN FOR SAID MEETING OR ANY AND ALL ADJOURNMENTS, POSTPONEMENTS AND CONTINUATIONS THEREOF.

To change the address on your account, please check the box at right and indicate your new address in the address space above. Please note that changes to the registered name(s) on the account may not be submitted via this method.

Signature of Stockholder Date Signature of Stockholder Date

Note: Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.

□



POWERFLEET, INC.

123 TICE BOULEVARD
WOODCLIFF LAKE, NEW JERSEY 07677

**PROXY SOLICITED BY THE BOARD OF DIRECTORS
FOR THE 2021 ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON JULY 20, 2021, AT 10:00 A.M. (EASTERN TIME),
AND ANY POSTPONEMENT, CONTINUATION OR ADJOURNMENT THEREOF**

The shares of common stock you hold in your account will be voted as you specify on the reverse side of this proxy card. If no choice is specified, the proxy will be voted "FOR" the election of all the nominees listed in Proposal No. 1 and "FOR" Proposal Nos. 2, 3, 4 and 5, as described on the reverse side of this proxy card.

By signing this proxy, the undersigned hereby appoints Chris Wolfe and Ned Mavrommatis, and each of them, as attorneys and proxies of the undersigned, with full power of substitution, to vote all of the shares of common stock of PowerFleet, Inc. which the undersigned may be entitled to vote at the 2021 Annual Meeting of Stockholders of the Company to be held virtually at <https://web.lumiagm.com/209728603> (password: power2021), on Tuesday, July 20, 2021, at 10:00 a.m. (Eastern Time), and at any and all postponements, continuations and adjournments thereof, with all powers that the undersigned would possess if personally present, upon and in respect of the following matters and in accordance with the following instructions, with discretionary authority as to any and all other matters that may properly come before the meeting and any postponements, continuations or adjournments of the meeting.

(Continued and to be signed on the reverse side)

2021 ANNUAL MEETING OF STOCKHOLDERS OF
POWERFLEET, INC.

July 20, 2021

PROXY VOTING INSTRUCTIONS

INTERNET - Access "www.voteproxy.com" and follow the on-screen instructions or scan the QR code with your smartphone. Have your proxy card available when you access the web page.



Vote online until 11:59 PM EST the day before the meeting.

MAIL - Sign, date and mail your proxy card in the envelope provided as soon as possible.

VIRTUALLY AT THE MEETING - The company will be hosting the meeting live via the Internet this year. To attend the meeting via the Internet please visit <https://web.lumiagm.com/209728603> (password: power2021) and be sure to have available the control number.

GO GREEN - e-Consent makes it easy to go paperless. With e-Consent, you can quickly access your proxy materials, statements and other eligible documents online, while reducing costs, clutter and paper waste. Enroll today via www.asfinancial.com to enjoy online access.

COMPANY NUMBER	
ACCOUNT NUMBER	

IMPORTANT NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING:
 The Notice of Meeting, Proxy Statement and Annual Report on Form 10-K for the year ended December 31, 2020 are available at the following website:
<https://ir.powerfleet.com/proxy-materials>

Please detach along perforated line and mail in the envelope provided IF you are not voting via the Internet.

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072021

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE ELECTION OF THE NOMINEES LISTED BELOW AND "FOR" PROPOSAL NOS. 2, 3, 4 AND 5.

PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE NOMINEES LISTED BELOW.

1. Election of five directors, each to serve for a one-year term expiring at the Company's 2022 annual meeting of stockholders, and until their respective successors are duly elected and qualified.

- FOR ALL NOMINEES
- WITHHOLD AUTHORITY FOR ALL NOMINEES
- FOR ALL EXCEPT (See instructions below)
- NOMINEES:**
- Michael Brodsky
 - Michael Casey
 - Charles Frumberg
 - David Mahlab
 - Chris Wolfe

INSTRUCTIONS: To withhold authority to vote for any individual nominee(s), mark "FOR ALL EXCEPT" and fill in the circle next to each nominee you wish to withhold, as shown here: ●

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" PROPOSAL NO. 2.

2. Ratification of the appointment of Ernst & Young LLP as the independent registered public accounting firm of the Company for the fiscal year ending December 31, 2021. FOR AGAINST ABSTAIN

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" PROPOSAL NO. 3.

3. Approval, on an advisory basis, of the Company's executive compensation. FOR AGAINST ABSTAIN

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" PROPOSAL NO. 4.

4. Approval of an amendment to the Company's Amended and Restated Certificate of Incorporation to modify certain terms of the Company's Series A Convertible Preferred Stock. FOR AGAINST ABSTAIN

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" PROPOSAL NO. 5.

5. Approval of an amendment to the Company's 2018 Incentive Plan to increase the number of shares of common stock available for issuance thereunder. FOR AGAINST ABSTAIN

UNLESS A CONTRARY DIRECTION IS INDICATED, THIS PROXY WILL BE VOTED "FOR" ALL NOMINEES LISTED IN PROPOSAL NO. 1 AND "FOR" PROPOSAL NOS. 2, 3, 4 AND 5, AS MORE SPECIFICALLY DESCRIBED IN THE COMPANY'S PROXY STATEMENT. IF SPECIFIC INSTRUCTIONS ARE INDICATED, THIS PROXY WILL BE VOTED IN ACCORDANCE THEREWITH. THIS PROXY ALSO DELEGATES DISCRETIONARY AUTHORITY TO VOTE WITH RESPECT TO ANY OTHER BUSINESS WHICH MAY PROPERLY COME BEFORE THE ANNUAL MEETING AND ANY ADJOURNMENTS, POSTPONEMENTS OR CONTINUATIONS THEREOF.

RECEIPT OF NOTICE OF THE ANNUAL MEETING AND PROXY STATEMENT IS HEREBY ACKNOWLEDGED, AND THE TERMS OF THE NOTICE AND PROXY STATEMENT ARE HEREBY INCORPORATED BY REFERENCE INTO THIS PROXY. THE UNDERSIGNED HEREBY REVOKES ALL PROXIES HERETOFORE GIVEN FOR SAID MEETING OR ANY AND ALL ADJOURNMENTS, POSTPONEMENTS AND CONTINUATIONS THEREOF.

To change the address on your account, please check the box at right and indicate your new address in the address space above. Please note that changes to the registered name(s) on the account may not be submitted via this method.

Signature of Shareholder _____ Date: _____ Signature of Shareholder _____ Date: _____

Note: Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2020.

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: **001-39080**

POWERFLEET, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

83-4366463

(IRS Employer
Identification No.)

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

07677

(Zip Code)

(201) 996-9000

(Registrant's telephone number, including area code)

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

Common Stock, par value \$0.01 per share

PWFL

The NASDAQ Global Market

(Title of class)

(Trading Symbol)

(Name of exchange on which registered)

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 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, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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

The aggregate market value of the registrant's common stock, par value \$0.01 per share ("Common Stock"), held by non-affiliates, computed by reference to the price at which the Common Stock was last sold as of June 30, 2020, the last business day of the registrant's most recently completed second fiscal quarter, was approximately \$130.5 million.

The number of shares of the registrant's Common Stock outstanding as of March 17, 2021, was 35,976,809 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Document

Part of Form 10-K

Portions of the Proxy Statement For the Registrant's 2020 Annual Meeting of Stockholders

Part III

POWERFLEET, INC.

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PART I

Cautionary Note Regarding Forward-Looking Statements

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

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

- future economic and business conditions;
- the loss of any of our key customers or reduction in the purchase of our products by any such customers;
- the failure of the markets for our products to continue to develop;
- our inability to adequately protect our intellectual property;
- our inability to manage growth;
- the effects of competition from a wide variety of local, regional, national and other providers of wireless solutions;
- changes in laws and regulations or changes in generally accepted accounting policies, rules and practices;
- changes in technology or products, which may be more difficult or costly, or less effective, than anticipated; and
- those risks and uncertainties set forth under the heading “Risk Factors” in Item 1A of this report.

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

Note Regarding Trademarks

PowerFleet, Inc. has, or has applied for, U.S. and/or foreign trademark protection for POWERFLEET®, POWERFLEET VISION®, POWERFLEET IQ®, POWRFLEET YARD®, I.D. SYSTEMS® and Design, the I.D. SYSTEMS Logo®, VEHICLE ASSET COMMUNICATOR®, VERIWISE IQ®, ASSET INTELLIGENCE®, didBOX®, FREIGHTCAM, KEYTROLLER®, REEFERMATE®, POINTER® and Design, and CELLOCATOR® and Design.

Item 1. Business.

Overview

PowerFleet, Inc. (together with its subsidiaries, “PowerFleet,” the “Company,” “we,” “our” or “us”) is a global leader and provider of subscription-based wireless Internet-of-Things (IoT) and machine-to-machine (M2M) solutions for securing, controlling, tracking, and managing high-value enterprise assets such as industrial trucks, trailers, containers, cargo, and light vehicles and heavy truck fleets.

As described more fully in Note 3 to our consolidated financial statements included in this Annual Report on Form 10-K, on October 3, 2019, we completed the Transactions (as defined below) contemplated by (i) the Agreement and Plan of Merger, dated as of March 13, 2019 (the “Merger Agreement”), by and among I.D. Systems, Inc., a Delaware corporation (“I.D. Systems”), the Company, Pointer Telocation Ltd., a private company limited by shares formed under the laws of the State of Israel (“Pointer”), PowerFleet Israel Ltd. (f/k/a Powerfleet Israel Holding Company Ltd.), a private company limited by shares formed under the laws of the State of Israel and a wholly-owned subsidiary of the Company (“PowerFleet Israel”), and Powerfleet Israel Acquisition Company Ltd., a private company limited by shares formed under the laws of the State of Israel and a wholly-owned subsidiary of PowerFleet Israel prior to the Transactions, and (ii) the Investment and Transaction Agreement, dated as of March 13, 2019, as amended by Amendment No. 1 thereto dated as of May 16, 2019, Amendment No. 2 thereto dated as of June 27, 2019 Amendment No. 3 thereto dated as of October 3, 2019 and Amendment No. 4 thereto dated as of May 13, 2020 (the “Investment Agreement,” and together with the Merger Agreement, the “Agreements”), by and among I.D. Systems, the Company, PowerFleet US Acquisition Inc., a Delaware corporation and a wholly-owned subsidiary of the Company prior to the Transactions, and ABRY Senior Equity V, L.P., ABRY Senior Equity Co-Investment Fund V, L.P. and ABRY Investment Partnership, L.P. (the “Investors”), affiliates of ABRY Partners II, LLC. As a result of the transactions contemplated by the Agreements (the “Transactions”), I.D. Systems and PowerFleet Israel each became direct, wholly-owned subsidiaries of the Company and Pointer became an indirect, wholly-owned subsidiary of the Company. The results of Pointer have been included in our consolidated financial statements from the date of the Transactions.

We are headquartered in Woodcliff Lake, New Jersey, with offices located around the globe.

Our patented technologies address the needs of organizations to monitor and analyze their assets to improve safety, increase efficiency and productivity, reduce costs, and improve profitability. Our offerings are sold under the global brands PowerFleet, Pointer and Cellocator.

We deliver advanced mobility solutions that connect assets to increase visibility operational efficiency and profitability. Across our vertical markets we differentiate ourselves by developing mobility platforms that collect data from unique sensors and by being OEM agnostic and helping mixed fleets view and manage their assets homogeneously. All of our solutions are paired with software as a service, or SaaS and analytics platforms to provide an even deeper level of insights and understanding of how assets are utilized and how drivers and operators operate those assets. These insights include a full set of operational Key Performance Indicators, or KPI’s, to drive operational and strategic decisions. Our customers typically get a Return on their Investment in less than 12 months from deployment.

The analytics platform and machine learning capabilities, which is integrated into our customers’ management systems, is designed to provide a single, integrated view of asset and operator activity across multiple locations that provides enterprise-wide benchmarks and peer-industry comparisons. We look for analytics, as well as the data contained therein, to differentiate us from our competitors, make a growing contribution to revenue, add value to our solutions, and help keep us at the forefront of the wireless asset management markets we serve.

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

PowerFleet for Industrial (part of our Supply Chain Solutions Product Group)

Our PowerFleet for Industrial solutions are designed to provide on-premise or in-facility asset and operator management, monitoring, and visibility for industrial trucks such as forklifts, man-lifts, tuggers and ground support equipment at airports. These solutions are broken down into five groups: Essence, Expert, Enterprise, Safety, and Aviation and utilize a variety of communications capabilities such as Bluetooth®, WiFi, and proprietary RF.

- **Essence** is designed for low density fleets. It consists of an easy-to-install, out-of-the-box-ready hardware and software solution. It provides electronic record keeping and safety checklists and is automated. There is no need for IT departments with this solution, and it is designed to keep small business operations regulatory compliant, efficient, and cost effective.
- **Expert** is designed for medium density fleets. It is designed for multi-site visibility, reporting, and analytics. It provides regulatory compliance and live events by leveraging a company’s existing Wi-Fi network. It delivers centralized recording, management reports & robust graphing.
- **Enterprise** is for high density fleets with a global footprint. It improves safety and provides global visibility, advanced analytics, and drives regulatory compliance and live event reporting by leveraging a company’s Wi-Fi network.
- **Safety** consists of a broad range of equipment for powered industrial vehicles such as lights and alarms, camera systems, vehicle speed throttles, seatbelt systems, digital speedometers, weighing devices, safety systems, and anti-theft solutions.
- **Aviation** enables visibility into airport ramp personnel and assets through real-time visibility and reporting, access control, and geo-fenced security.

PowerFleet for Logistics (part of our Supply Chain Solutions Product Group)

Our PowerFleet for Logistics solutions are designed to provide bumper-to-bumper asset management, monitoring, and visibility for over-the-road based assets (heavy trucks, dry-van trailers, refrigerated trailers, shipping containers, etc.) and their associated cargo. These systems provide mobile-asset tracking and condition-monitoring solutions to meet the transportation market's desire for greater visibility, safety, security, and productivity throughout global supply chains.

By leveraging a combination of cellular, Bluetooth ®, and satellite communications and web-based data management technologies, our Logistics Visibility product family provides shippers and carriers with tools to better manage their tractors, drivers, trucks, refrigerated (Reefer) trailers, dry van trailers, chassis and container fleets. Our Logistics Visibility solutions enable quick access to actionable intelligence that results in better utilization, control, safety, compliance, and security of our customers' freight-carrying assets.

Our Logistics Visibility solutions consist of a combined hardware and software as a service solution that are designed to focus on providing robust IoT monitoring, measuring, and management of the following asset types:

- **Tractors (e.g. Class 7-8 Vehicles):** Our solutions sit in the "cab" of the truck. They are designed to be regulatory compliant (e.g. Electronic Logging Devices or ELDs) solutions that provide real-time position reports, workflow management, inspection reporting, engine performance information, two-way communication with the driver, and full Transportation Management System (TMS) integration.
- **Dry Van Trailers:** By using asset tracking technology that leverages solar-powered super-capacitors and long-lasting batteries, along with options connected to external power, we offer a variety of mobility platforms that vary by power source and price to provide extended years of maintenance-free asset tracking and IoT performance. Our FreightCAM cargo sensor camera takes actual high definition pictures of the cargo in the dry van trailer and using machine learning can determine cube, floor space, how the trailer is loaded, identify load shifts, and help our customer's customer know how to unload the cargo.
- **Refrigerated Trailers / Containers:** Our reefer mobility platform is integrated with all major refrigeration unit brands and sensors to allow complete remote two-way control combined with powerful dashboard and in easy-to-read reports on the status of cold chain products and cargo. Our system allows our customers to proactively manage their reefer loads versus other solutions that merely monitor temperature.
- **Chassis:** We provide multiple interoperable mobility platform options, which vary by power source and price, for continuous real-time visibility of these assets while in transit, as well as more accurate arrival and departure information to better plan supply chain resource allocation. Our new weight-on-axle sensor and our algorithms for determining if the chassis has a container on it or not enable our customers to better optimize chassis utilization and improve their billing for chassis rentals.
- **Shipping Containers:** We deliver full visibility of containers from the moment they are moved from the yard to the instant they reach their final destination to increase container utilization and reduce transit cycle times. Our container solutions also integrate with our FreightCAM enabling our container customers to get the same benefits as our dry van customers.
- **Cargo:** Images, door sensors, and 'cargo-area' environmental sensors (temperature, humidity, shock, etc.) for true freight visibility, root cause analysis for claims - including location and visual proof. We have unique and patent pending machine learning processes that can determine volume, load status, shifts in transit and help consignees know how to plan for unloading cargo.

To increase asset utilization, our Logistics Visibility solutions can improve overall operating efficiency, increase revenue per mile, reduce claims and claims processing times, and reduce the number of assets needed by delivering our customers. This is achieved through proving such things as two-way integrated workflows for drivers, control assignments and work change, Electronic Driver Logging (ELD) and inspections for regulatory compliance, monitoring of asset pools and geofence violations, and various reporting insights that flag under-utilized assets, the closest assets, and alerts on exceeding the allotted time for loading and unloading.

To better control remote assets, our Logistics Visibility solutions provide our customers with technology that enables the identification of a change in cargo status, geo-fencing alerts when an asset is approaching or leaving its destination, and on-board intelligence utilizing a motion sensor and proprietary logic that identifies the beginning of a drive and the end of a drive.

Lastly, to help improve asset and cargo security, our Logistics Visibility solutions allow our customers to enable things such as asset lockdown with automated e-mail or text message, emergency tracking of assets (higher frequency of reports) if theft is expected, geo-fencing alerts when an asset enters a prohibited geography or location, and near real-time sensors that alert based on changes in temperature and shock, among other things.

PowerFleet for Vehicles (includes automotive, rental, smaller service and delivery vans)

Our PowerFleet for Vehicles solutions are designed both to enhance the vehicle fleet management process, whether it's a rental car, a private fleet, or automotive original equipment manufacturer, or OEM, partners. We achieve this by providing critical information that can be used to increase revenues, reduce costs and improve customer service.

For example, our rental fleet management system automatically uploads vehicle identification number, mileage and fuel data as a vehicle enters and exits the rental lot, which can significantly expedite the rental and return processes for travelers, and provide the rental company with more timely inventory status, more accurate billing data that can generate higher fuel-related revenue, and an opportunity to utilize customer service personnel for more productive activities, such as inspecting vehicles for damage and helping customers with luggage.

Our solution for "car sharing" permits a rental car company to remotely control, track and monitor their rental vehicles wherever they are parked. Whether for traditional "pod-based" rental or for the emerging rent-anywhere model, the system, through APIs integrated into any rental company's fleet management system, (i) manages member reservations by smart phone or Internet, and (ii) charges members for vehicle use by the hour.

For our customers with a variety of make-model-years in their fleet, we have developed an unmatched library of certified vehicle code interfaces through our second-generation On-Board Diagnostics, or OBD-II, industry standard. Our patented fleet management system helps fleet owners improve asset utilization, reduce capital costs, and cut operating expenses, such as vehicle maintenance or service and support.

Our fleet management solutions allow our customers to monitor their fleet vehicles using a web-based application that can monitor various parameters, including but not limited to, vehicle location, speed, engine fault codes, driver behavior, eco-driving, and ancillary sensors and can receive reports and alerts, either automatically or upon request wirelessly via the internet, email, mobile phone or an SMS.

We also provide stolen vehicle retrieval, or SVR, services, predominantly in Israel. Most of the SVR products used to provide our SVR services are mainly sold to (i) local car dealers and importers that in turn sell the products equipped in the vehicle to the end users who purchase the SVR services directly from us, or (ii) leasing companies which purchase our SVR services in order to secure their own vehicles. In addition, in order to increase the added value services for our car dealer customers and end users, we have developed a connected car solution which we provide based on the car infotainment system, which as of the date of this report, is offered by us in Israel only. While the connected car solution enables the car dealer to preserve continuance relationship with the end users, it provides the end users with a friendlier and richer user interface and enables us to expand our consumer target market to vehicles which do not require SVR services.

Analytics and Machine Learning

Our analytics platforms provide our customers with a holistic view of their asset activity across their enterprise. For example, in our PowerFleet for Logistics solutions, our image machine learning system allows us to process images from our freight camera and other sources and identify key aspects of operations and geospatial information such as location, work being accomplished, type of cargo, how cargo is loaded and if there are any visible issues such as damage.

Our cloud-based software applications provide a single, integrated view of industrial asset activity across multiple locations, generating enterprise-wide benchmarks, peer-industry comparisons, and deeper insights into asset operations. This enables management teams to make more informed, effective decisions, raise asset performance standards, increase productivity, reduce costs, and enhance safety.

Specifically, our analytics platforms allow users to quantify best-practice enterprise benchmarks for industrial asset utilization and safety, reveal variations and inefficiencies in asset activity across both sites and geographic regions, or identify opportunities to eliminate or reallocate assets, to reduce capital and operating costs.

We look for analytics and machine learning to make a growing contribution to drive platform and SaaS revenue, further differentiate our offerings and add value to our solutions, and help keep us at the forefront of the wireless mobility markets we serve, although there can be no assurance if and to what extent analytics will do so. We also use our analytics platform for our own internal platform quality control.

Services

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

Software as a Service. We provide system monitoring, help desk technical support, escalation procedure development, routine diagnostic data analysis and software updates services as part of the ongoing contract term. These services ensure deployed systems remain in optimal performance condition throughout the contract term and provide access to newly developed features and functions on an annual basis.

Maintenance Services. We provide a warranty on the hardware components of our system. During the warranty period, we either replace or repair defective hardware. We also make extended maintenance contracts available to customers and offer ongoing maintenance and support on a time and materials basis.

Customer Support and Consulting Services. We have developed a framework for the various phases of system training and support that offer our customers both structure and flexibility. Major training phases include hardware installation and troubleshooting, software installation and troubleshooting, "train-the-trainer" training on asset hardware operation, preliminary software user training, system administrator training, information technology issue training, ad hoc training during system launch and advanced software user training.

Increasingly, training services are provided through scalable online interactive training tools. Support and consulting services are priced based on the extent of training that the customer requests. To help our customers derive the most benefit from our system, we supply a broad range of documentation and support including videos, interactive online tools, hardware user guides, software manuals, vehicle installation overviews, troubleshooting guides, and issue escalation procedures.

We provide our consulting services both as a stand-alone service to study the potential benefits of implementing a wireless fleet management system and as part of the system implementation itself. In some instances, customers prepay us for extended maintenance, support and consulting services. In those instances, the payment amount is recorded as deferred revenue and revenue is recognized over the service period.

Growth Strategy

Our objective is to become a leading global provider of wireless solutions for managing and securing enterprise assets. To achieve this goal, we intend to increase sales in existing markets to existing customers and pursue opportunities with new customers by:

- focusing our business solutions by vertical markets and go to market strategies to each market;
- positioning ourselves as an innovative thought leader;
- maintaining a world class sales and marketing team;
- identifying, seizing, and managing revenue opportunities;
- expanding our customer base and achieving wider market penetration;
- implementing improved marketing, sales and support strategies;
- shortening our initial sales cycles by helping our customers through:
 - identifying and quantifying benefits expected from our solutions;
 - accelerating transitions from implementation to roll-out; and
 - building service revenue through long-term SaaS contracts;
- differentiating our product offering through analytics, machine learning, unique sensors, and value added services;
- producing incremental revenue at a high profit margin; and
- developing channel partners.

We also plan to expand into new applications and markets by:

- pursuing opportunities to integrate our system with computer hardware and software vendors, including:
 - Original Equipment Manufacturers or OEMs;
 - transportation management systems;
 - warehouse management systems;
 - labor and timecard systems;
 - enterprise resource planning; and
 - yard management systems.
- establishing relationships with global distributors; and
- evaluating and pursuing strategically sound acquisitions of companies.

Sales and Marketing

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

We market our systems directly to commercial and government organizations and through indirect sales channels, such as OEMs, vehicle importers, distributors, and industrial equipment dealers.

In addition, we are actively pursuing strategic relationships with key companies in our target markets - including complementary hardware and software vendors and service providers - to further penetrate these markets by embedding our products in the assets our systems monitor and integrating our solutions with other systems.

We sell our systems to corporate-level executives, division heads and site-level management within the enterprise. Typically, our initial system deployment serves as a basis for potential expansion across the customer's organization.

We work closely with customers to prove out an ROI, which is usually less than 12 months, and 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.

Customers

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

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

We strive to establish long-term relationships with our customers in order to maximize opportunities for new application development and increased sales. Some of our global customers that benefit from the Company's combined solutions to power their specific IoT and M2M mobility needs include Avis, Junghenrich, Walmart, Toyota, and XPO Logistics. No individual customer generates revenue equal to or greater than 10% of the Company's consolidated total revenue.

Competition

The market for our solutions is rapidly evolving, highly competitive and fragmented. Our target markets are also subject to quickly changing product technologies, shifting customer needs, regulatory requirements and frequent introductions of new products and services.

In each of our global markets, we encounter different competitors due to the dynamics of each market. A significant number of companies have developed or are developing and marketing software and hardware for wireless products that currently compete or will compete directly with our solutions. We compete with organizations varying in size, including many small, start-up companies as well as large, well-capitalized organizations.

While some of our competitors focus exclusively on providing wireless asset management solutions, many are involved in wireless technology as an extension of a broader business. Many of our larger competitors are able to dedicate extensive financial resources to the research and development and deployment of wireless solutions. As government and commercial entities expand the use of wireless technologies, we expect that competition will continue to increase within our target markets.

Research and Development

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

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

In 2020, we focused our research and development investments in several key areas:

- Continuously innovating our diverse asset product line with next level ruggedized packaging, longer-life power management and multiple communication modes including proprietary RF, Bluetooth®, cellular, WiFi, and satellite;
- Minimizing installation time and maximizing vehicle interaction and data extraction through advanced auto-can detection capabilities;
- Continuing to work on new product functionality for PowerFleet for Vehicles solutions, including key new features that enable expanded fleet management, car rental and car sharing capabilities;
- Adding new mobility platforms to support off-site, transient and leased asset models for industrial equipment;
- Commercializing smart container and chassis solutions for weight detection capabilities including bare, mounted, loaded and various states of weight measurement for improved utilization and billing;
- Applying new machine learning and artificial intelligence algorithms to support cargo load assessment, human image detection, fuel card funds verification of location and vehicle and crash clustering for more automated incident detection and management;
- Continuously enhancing our in-cab solutions to address ELD regulatory requirements and focus on ease of use;
- Applying human factors to the user experience and user interface (UX/UI) enhancements for end user device interaction;
- Adding new video capabilities for driver coaching, safety adherence and incident exoneration;
- Advancing our edge computing differentiation by designing and developing unique sensors that include image capture and weight sensing;
- Optimizing reporting solutions through the introduction of new BI tools across our platforms, to quantify and simplify customer benefit achievement, within a single deployed facility, across an enterprise, and compared to peers within the same industry.

Intellectual Property

Patents

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

We built a portfolio of patents and patent applications relating to various aspects of our technology products and solutions. As of March 3, 2021, our patent portfolio includes 43 U.S. patents, 5 pending U.S. patent applications, 3 pending foreign international applications, and 2 foreign patents. With the timely payment of all maintenance fees, the U.S. patents have expiration dates falling between 2021 and 2038. No single patent or patent family is considered material to our business.

Trademarks

We have, or have applied for, U.S. and/or foreign trademark protection for POWERFLEET®, POWERFLEET VISION®, POWERFLEET IQ®, POWRFLEET YARD®, I.D. SYSTEMS® and Design, the I.D. SYSTEMS Logo®, VEHICLE ASSET COMMUNICATOR®, VERIWISE IQ®, ASSET INTELLIGENCE®, didBOX®, FREIGHTCAM, KEYTROLLER®, REEFERMATE®, POINTER® and Design, and CELLOCATOR® and Design.

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

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

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

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

Manufacturing

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

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

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

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

Government Regulations

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

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

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

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

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

Since 1996, our subsidiary Pointer has held an operational license, which is renewed on a regular basis, from the Ministry of Communications in Israel to operate our wireless messaging system over 2 MHz in the 966 to 968MHz radio spectrum band.

Our subsidiary Pointer Argentina S.A. (“Pointer Argentina”) obtains domestic licenses for the deployment of our SVR operation in Argentina and local operators are required to obtain a specific license for their operations.

We are currently registered by the Federal Department of Security (SEGOB) in Mexico to provide our services.

Our subsidiary Pointer SA (PTY) Ltd. (“Pointer South Africa”) is currently registered as a security service provider under the Private Security Industry Regulation Act, 2001 in South Africa. Our products are also listed with ICASA (Independent Communications Authority of South Africa).

Our Cellocator division obtains licenses from the Israeli Ministry of Communications in order to manufacture, import, market and sell its products in Israel.

While the use of our cellular monitoring units does not require regulatory approvals, in Israel, the use of our radio frequency products is subject to regulatory approvals from government agencies. In general, applications for regulatory approvals to date have not been problematic. This being said, we cannot guarantee that approvals already obtained are or will remain sufficient in the view of regulatory authorities indefinitely.

Employees

As of March 1, 2021, we had 772 full-time employees across the globe. We believe that our relationships with our employees is good.

Other Information

I.D. Systems, Inc. was incorporated in the State of Delaware in 1993. PowerFleet, Inc. was incorporated in the State of Delaware in February 2019 for the purpose of effectuating the Transactions. Upon the closing of the Transactions, PowerFleet became the parent entity of I.D. Systems and Pointer.

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

Item 1A. Risk Factors.

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

Risk Factor Summary:

Our business is subject to numerous risks and uncertainties, including those highlighted in the section titled “Risk Factors” immediately following this summary. These risks include, among others, the following:

- We may not realize the anticipated benefits and cost savings of the Transactions.
- Integrating I.D. Systems’ and Pointer’s businesses may be more difficult, time-consuming or costly than expected.
- We have incurred significant losses and have a substantial accumulated deficit. If we cannot achieve profitability, the market price of our common stock could decline significantly.
- We may not be able to successfully execute our strategic initiatives or meet our long-term financial goals.
- We are an international company and may be susceptible to a number of political, economic and geographic risks that could harm our business.
- Conditions and changes in the global economic environment may adversely affect our business and financial results.
- We expect that the impact of COVID-19 will continue to adversely affect our business, results of operations and financial condition.
- We may need to obtain additional capital to fund our operations that could have negative consequences on our business.
- If the market for our technology does not develop or become sustainable, expands more slowly than we expect or becomes saturated, our revenues will decline and our financial condition and results of operations could be materially and adversely affected.
- If we are unable to keep up with rapid technological change, we may be unable to meet the needs of our customers, which could materially and adversely affect our financial condition and results of operations and reduce our ability to grow our market share.
- We may incur additional charges for excess and obsolete inventory, which could adversely affect our cost of sales and gross profit.
- The long and variable sales cycles for our solutions may cause our revenues and operating results to vary significantly from quarter to quarter or year to year.
- We rely significantly on channel partners to sell our products, and disruptions to, or our failure to develop and manage our channel partners would harm our business.
- If we are unable to protect our intellectual property rights, our financial condition and results of operations could be materially and adversely affected.
- We may become involved in an intellectual property dispute that could subject us to significant liability and divert the time and attention of our management and prevent us from selling our products.
- The U.S. government’s right to use technology developed by us with government funds could limit our intellectual property rights.
- We rely on subcontractors to manufacture and deliver our products.
- Our manufacturers rely on a limited number of suppliers for several significant components used in our products.
- The industry in which we operate is highly competitive, and competitive pressures from existing and new companies could have a material adverse effect on our financial condition and results of operations.
- The federal government or independent standards organizations may implement significant regulations or standards that could adversely affect our ability to produce or market our products.
- Because our products are complex, they may have undetected errors or failures when they are introduced, which could seriously harm our business, and our product liability insurance may not adequately protect us.
- We may be subject to breaches of our information technology systems, which could damage our reputation, vendor, and customer relationships, and our customers’ access to our services.
- Changes in practices of insurance companies in the markets in which we provide and sell our SVR services and products could adversely affect our revenues and growth potential.
- A decline in sales of consumer or commercial vehicles in the markets in which we operate could result in reduced demand for our products and services.
- A reduction in vehicle theft rates may adversely impact demand for our SVR services and products.
- The increasing availability of handheld GPRS devices may reduce the demand for our products for small fleet management.
- The use of our products is subject to international regulations.
- The adoption of industry standards that do not incorporate the technology we use may decrease or eliminate the demand for our services or products and could harm our results of operations.
- Our financial statements may not reflect certain payments we may be required to make to employees.
- Some of our employees in our subsidiaries are members of labor unions and a dispute between us and any such labor union could result in a labor strike that could delay or preclude altogether our ability to generate revenues in the markets where such employees are located.

- Under the current laws in jurisdictions in which we operate, we may not be able to enforce non-compete covenants and therefore may be unable to prevent our competitors from benefiting from the expertise of some of our former employees.
- Manufacturing of many of our products is highly complex, and an interruption by suppliers, subcontractors or vendors could adversely affect our business, financial condition or results of operations.
- Our Israeli subsidiaries have incurred significant indebtedness to finance the Transactions.
- The terms of the Credit Agreement restrict PowerFleet Israel's and Pointer's current and future operations, particularly their ability to respond to changes or to take certain actions.
- If we lose our executive officers, or are unable to recruit additional personnel, our ability to manage our business could be materially and adversely affected.
- We provide no assurance that we will be able to successfully integrate any businesses, products, technologies or personnel that we have acquired or might acquire in the future.
- The unpredictability of our quarterly operating results could adversely affect the market price of our common stock.
- We provide financing to our customers for the purchase of our products, which may increase our credit risks in the event of a deterioration in a customer's financial condition or in global credit conditions.
- Interest rate fluctuations may adversely affect our income and results of operations.
- Our cash and cash equivalents could be adversely affected by a downturn in the financial and credit markets.
- Goodwill impairment or intangible impairment charges may affect our results of operations in the future.
- Holders of our Series A Preferred Stock can exercise significant control over the Company, which could limit the ability of our stockholders to influence the outcome of key transactions, including a change of control.
- The Series A Preferred Stock has rights, preferences and privileges that are not held by, and are preferential to, the rights of holders of our common stock, which could adversely affect our liquidity and financial condition, and may result in the interests of the holders of Series A Preferred Stock differing from those of the holders of our common stock.
- Any issuance of our common stock upon conversion of the Series A Preferred Stock will cause dilution to then existing Company stockholders and may depress the market price of our common stock.
- The concentration of common stock ownership among our executive officers and directors could limit the ability of other stockholders of the Company to influence the outcome of corporate transactions or other matters submitted for stockholder approval.
- Future sales of our common stock, including sales of our common stock acquired upon the exercise of outstanding options, may cause the market price of our common stock to decline.
- The issuance of equity or debt securities under our shelf registration statement could have a negative impact on the price of our common stock.
- Our Charter provides that the Court of Chancery of the State of Delaware will be the exclusive forum for certain legal actions between us and our stockholders, which could limit stockholders' ability to obtain a judicial forum viewed by the stockholders as more favorable for disputes with us or our directors, officers or employees, and the enforceability of the exclusive forum provision may be subject to uncertainty.
- The Charter contains a provision renouncing our interest and expectancy in certain corporate opportunities which may prevent us from receiving the benefit of certain corporate opportunities.
- Provisions of Delaware law or the Charter could delay or prevent an acquisition of the Company, even if the acquisition would be beneficial to our stockholders, and could make it more difficult for stockholders to change our management.

Risks Related to the Transactions:

We may not realize the anticipated benefits and cost savings of the Transactions.

The success of the Transactions will depend, in part, on our ability to realize the anticipated benefits and cost savings from combining I.D. Systems' and Pointer's businesses. Our ability to realize these anticipated benefits and cost savings is subject to certain risks, including, among others:

- our ability to successfully combine I.D. Systems' and Pointer's businesses;
- the risk that the combined businesses will not perform as expected;
- the extent to which we will be able to realize the expected synergies, which include realizing potential savings from re-assessing priority assets and aligning investments, eliminating duplication and redundancy, adopting an optimized operating model between both companies and leveraging scale, and creating value resulting from the combination of I.D. Systems' and Pointer's businesses;

- the possibility that the aggregate consideration being paid for Pointer is greater than the value we will derive from the Transactions;
- the possibility that the combined company will not achieve the free cash flow that we have projected;
- the reduction of cash available for operations and other uses and the incurrence of indebtedness to finance the Transactions;
- the assumption of known and unknown liabilities of Pointer, including potential tax and employee-related liabilities; and
- the possibility of costly litigation challenging the Transactions.

If I.D. Systems and Pointer are not able to successfully integrate their businesses within the anticipated time frame, or at all, the anticipated cost savings, synergies operational efficiencies and other benefits of the Transactions may not be realized fully or may take longer to realize than expected, and the combined company may not perform as expected.

Integrating I.D. Systems' and Pointer's businesses may be more difficult, time-consuming or costly than expected.

Prior to completion of the Transactions, I.D. Systems and Pointer operated independently, and there can be no assurances that their businesses can be integrated successfully. It is possible that the integration process could result in the loss of key employees, the disruption of either company's or both companies' ongoing businesses or unexpected integration issues, such as higher than expected integration costs and an overall post-completion integration process that takes longer than originally anticipated. Specifically, issues that must be addressed in integrating the operations of I.D. Systems and Pointer in order to realize the anticipated benefits of the Transactions, so the combined business performs as expected include, among others:

- combining the companies' separate operational, financial, reporting and corporate functions;
- integrating the companies' technologies, products and services;
- identifying and eliminating redundant and underperforming operations and assets;
- harmonizing the companies' operating practices, employee development, compensation and benefit programs, internal controls and other policies, procedures and processes;
- addressing possible differences in corporate cultures and management philosophies;
- maintaining employee morale and retaining key management and other employees;
- attracting and recruiting prospective employees;
- consolidating the companies' corporate, administrative and information technology infrastructure;
- coordinating sales, distribution and marketing efforts;
- managing the movement of certain businesses and positions to different locations;
- maintaining existing agreements with customers and vendors and avoiding delays in entering into new agreements with prospective customers and vendors;
- coordinating geographically dispersed organizations; and
- effecting potential actions that may be required in connection with obtaining regulatory approvals.

In addition, at times, the attention of certain members of our management and our resources may be focused on the integration of the businesses of the two companies and diverted from day-to-day business operations, which may disrupt our business.

Risks Related to Our Business:

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

As of December 31, 2020, we had cash (including restricted cash,) and cash equivalents of \$18.4 million and working capital of \$28.9 million. Our primary sources of cash are cash flows from operating activities, our holdings of cash, cash equivalents and investments from the sale of our capital stock and borrowings under our credit facility. To date, we have not generated sufficient cash flow solely from operating activities to fund our operations.

We incurred net losses of approximately \$5.8 million, \$12 million, and \$13.6 million for the years ended December 31, 2018, 2019 and 2020, respectively, and have incurred additional net losses since inception. At December 31, 2020, we had an accumulated deficit of approximately \$121.2 million. Our ability to increase our revenues from the sale of our products will depend on our ability to successfully implement our growth strategy and the continued expansion of our markets. If our revenues do not grow or if our operating expenses continue to increase, we may not be able to become profitable and the market price of our common stock could decline.

We may not be able to successfully execute our strategic initiatives or meet our long-term financial goals.

We have been engaged in strategic initiatives to focus on our core business to maximize long-term stockholder value, to improve our cost structure and efficiency and to increase our selling efforts and developing new business. We cannot provide any assurance that we will be able to successfully execute these or other strategic initiatives or that we will be able to execute these initiatives on our expected timetable. We may not be successful in focusing our core business and obtaining operational efficiencies or replacing revenues lost as a result of these strategic initiatives.

We are an international company and may be susceptible to a number of political, economic and geographic risks that could harm our business.

We are dependent on sales to customers outside the U.S. Our international sales are likely to account for a significant percentage of our products and services revenue for the foreseeable future. As a result, the occurrence of any international, political, economic or geographic event (for example, the recent outbreak of the novel coronavirus COVID-19) could result in a significant decline in our revenue. In addition, compliance with complex foreign and U.S. laws and regulations that apply to our international operations will increase our cost of doing business in international jurisdictions. These numerous and sometimes conflicting laws and regulations include internal control and disclosure rules, data privacy and filtering requirements, anti-corruption laws, such as the Foreign Corrupt Practices Act, and other local laws prohibiting corrupt payments to governmental officials, and anti-competition regulations, among others. Violations of these laws and regulations could result in fines and penalties, criminal sanctions against us, our officers, or employees, prohibitions on the conduct of our business and on our ability to offer our products and services in one or more countries, and could also materially affect our brand, international expansion efforts, ability to attract and retain employees, business, and operating results. Although we plan to implement policies and procedures designed to ensure compliance with these laws and regulations, there can be no assurance that our employees, contractors, or agents will not violate our policies.

Some of the risks and challenges of doing business internationally include:

- unexpected changes in regulatory requirements;
- fluctuations in international currency exchange rates including its impact on unhedgeable currencies and our forecast variations for hedgeable currencies;
- imposition of tariffs and other barriers and restrictions;
- management and operation of an enterprise spread over various countries;
- the burden of complying with a variety of laws and regulations in various countries;
- application of the income tax laws and regulations of multiple jurisdictions, including relatively low-rate and relatively high-rate jurisdictions, to our sales and other transactions, which results in additional complexity and uncertainty;
- the conduct of unethical business practices in certain developing countries;
- general economic and geopolitical conditions, including inflation and trade relationships;
- war and acts of terrorism;
- kidnapping and high crime rate;
- natural disasters or pandemics (for example, the recent outbreak of the novel coronavirus COVID-19);
- availability of U.S. dollars especially in countries with economies highly dependent on resource exports, particularly oil; and
- changes in export regulations.

While these factors and the impacts of these factors are difficult to predict, any one or more of them could adversely affect our business, financial condition and results of operations in the future.

Conditions and changes in the global economic environment may adversely affect our business and financial results.

The global economy continues to be adversely affected by stock market volatility, tightening of credit markets, concerns of inflation and deflation, adverse business conditions and liquidity concerns. These events and the related uncertainty about future economic conditions could negatively impact our customers and, among other things, postpone their decision-making, decrease their spending and jeopardize or delay their ability or willingness to make payment obligations, any of which could adversely affect our business and results of operations. Uncertainty about current global economic conditions, in particular as a result of the recent outbreak of the novel coronavirus COVID-19, could also cause volatility of our stock price. During periods of economic downturns, our customers may decrease their demand for wireless technology solutions, as well as the maintenance, support and consulting services we provide. This slowdown may have an adverse effect on the wireless solutions industry in general and on demand for our products and services, but the magnitude of that impact is uncertain. Our future growth is dependent, in part, upon the demand for our products and services. Prolonged weakness in the economy may cause business enterprises to delay or cancel wireless solutions projects, reduce their overall wireless solutions budgets and/or reduce or cancel orders for our services. This, in turn, may lead to longer sales cycles, delays in purchase decisions, and payment and collection issues, and may also result in price pressures, causing us to realize lower revenues and operating margins. Additionally, if our customers cancel or delay their wireless solutions initiatives, our business, financial condition and results of operations could be materially and adversely affected. If the current uncertainty in the general economy does not change or continue to improve, our business, financial condition and results of operations could be harmed.

In addition, South African regulation of the private security industry may adversely affect our business. The Private Security Industry Regulation Amendment Bill (the “Bill”) was approved by the National Assembly and the National Council of Provinces, and has been awaiting, since March 2014, the final signature of the President of South Africa in order to go into effect. The proposed Bill includes an amendment to existing South Africa law by requiring that in order to be registered as a security service provider, a security business must have at least fifty-one percent (51%) of the ownership and control of the company exercised by South African citizens. The Bill has yet to be signed by the President of South Africa and is currently contested by both South African and international stakeholders. If the Bill becomes effective in its current form, in order to meet the new registration requirements when applying for renewal of the registration of our South African operations, we would be forced to sell 39% of our holdings in Pointer South Africa, which would adversely affect our South African operations.

The international scope of our business exposes us to risks associated with foreign exchange rates.

We report our financial results in U.S. dollars. However, a significant portion of our net sales, assets, indebtedness and other liabilities, and costs are denominated in foreign currencies. These currencies include, among others, the Euro, Israeli shekel, British pound sterling, Mexican peso, Argentine peso, Brazilian real and South African rand.

In addition, several emerging market economies are particularly vulnerable to the impact of rising interest rates, inflationary pressures, weaker oil and other commodity prices, and large external deficits. Risks in one country can limit our opportunities for growth and negatively affect our operations in another country or countries. As a result, any such unfavorable conditions or developments could have an adverse impact on our operations. Our results of operations and, in some cases, cash flows, have in the past been, and may in the future be, adversely affected by movements in exchange rates. In addition, we may also be exposed to credit risks in some of those markets. We may implement currency hedges or take other actions intended to reduce our exposure to changes in foreign currency exchange rates. If we are not successful in mitigating the effects of changes in exchange rates on our business, any such changes could materially impact our results.

We expect that the impact of the global outbreak of COVID-19 will continue to adversely affect our business, results of operations and financial condition.

The global outbreak of a novel strain of coronavirus, COVID-19, and mitigation efforts by governments to attempt to control its spread, has resulted in significant economic disruption and continues to adversely impact the broader global economy. COVID-19 may continue to negatively affect our future business, results of operations and financial condition. The duration and extent of the impact of the pandemic on our business and financial results will depend largely on the future developments that cannot be accurately predicted at this time, including the duration of the spread of the outbreak, the extent and effectiveness of containment actions and the impact of these and other factors on capital and financial markets and the related impact on the financial circumstances of our employees, customers, and suppliers. Given the scope and magnitude of the pandemic all of its direct and indirect consequences are not yet known and may not emerge for some time.

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

We may require additional capital in the future to develop and commercialize additional products and technologies or take advantage of other opportunities that may arise, including potential acquisitions. We may seek to raise the necessary funds through public or private equity offerings, debt financings, additional operating improvements, asset sales or strategic alliances and licensing arrangements. We have on file a shelf registration statement on Form S-3 that was declared effective by the SEC on November 27, 2019. The shelf registration statement allows us to raise up to an aggregate of \$60.0 million from the sale of common stock, preferred stock, warrants, debt securities and units or any combination of the foregoing. On May 14, 2020, we entered into an equity distribution agreement for an “at-the-market offering” program (the “ATM Offering”) with Canaccord Genuity LLC (“Canaccord”) as sales agent, pursuant to which we issued and sold an aggregate of 809,846 shares of common stock for approximately \$4.2 million in gross proceeds. We terminated the equity distribution agreement effective as of August 14, 2020. On February 1, 2021, we closed an underwritten public offering (the “Underwritten Public Offering”) of 4,427,500 shares of common stock (which includes the full exercise of the underwriters’ over-allotment option) for gross proceeds of approximately \$28.8 million, before deducting the underwriting discounts and commissions and other estimated offering expenses. The offer and sale of common stock in the ATM Offering and the Underwritten Public Offering were made pursuant to our shelf registration statement.

To the extent we raise additional capital by issuing equity securities, including pursuant to our shelf registration statement, our existing stockholders may experience substantial dilution. In addition, we may be required to relinquish rights to our technologies or systems, or grant licenses on terms that are not favorable to us in order to raise additional funds through strategic alliance, joint venture and licensing arrangements. We cannot provide assurance that the additional sources of funds will be available, or if available, would have reasonable terms. If adequate funds are not available, we may be required to delay, reduce the scope of or eliminate one or more of our development programs, and our business, financial condition, results of operations and stock price could be materially and adversely affected.

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

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

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

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

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

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

We have previously experienced, and may in the future experience, reductions in sales of older generation products as customers delay or defer purchases in anticipation of new product introductions. The reserves we have established for potential losses due to obsolete inventory may, however, prove to be inadequate and may give rise to additional charges for obsolete or excess inventory.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Although we are not aware of any current competitors that provide the precise capabilities of our systems, we are aware of competitors that offer similar approaches to address the customer needs that our products address. Those companies include both emerging companies with limited operating histories and companies with longer operating histories, greater name recognition and/or significantly greater financial, technical and marketing resources than ours.

We attempt to differentiate our solutions by continuing to innovate and by offering a choice of communication mode, patented battery management technology, sensor options, and installation configurations.

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

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

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

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

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

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

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

We may be subject to breaches of our information technology systems, which could damage our reputation, vendor, and customer relationships, and our customers' access to our services.

Our business operations require that we use and store sensitive data, including intellectual property and proprietary business information in our secure data centers and on our networks. We face a number of threats to our data centers and networks in the form of unauthorized access, security breaches and other system disruptions. It is critical to our business strategy that our infrastructure remains secure and is perceived by customers and partners to be secure. We require user names and passwords in order to access our information technology systems. We also use encryption and authentication technologies to secure the transmission and storage of data. Despite our security measures, our information technology systems may be vulnerable to attacks by hackers or other disruptive problems. Any such security breach may compromise information used or stored on our networks and may result in significant data losses or theft of our, our customers', or our business partners' intellectual property or proprietary business information. A cybersecurity breach could negatively affect our reputation by adversely affecting the market's perception of the security or reliability of our products or services. In addition, a cyber-attack could result in other negative consequences, including remediation costs, disruption of internal operations, increased cybersecurity protection costs, lost revenues or litigation, which could have a material adverse effect on our business, results of operations and financial condition.

Changes in practices of insurance companies in the markets in which we provide and sell our SVR services and products could adversely affect our revenues and growth potential.

We depend on the practices of insurance companies in the markets in which we provide our SVR services and sell our SVR products. In Israel, which is our main SVR market, most of the insurance companies either mandate the use of SVR services and products for certain cars, or their equivalent, as a prerequisite for providing insurance coverage to owners of certain medium and high-end vehicles, or provide insurance premium discounts to encourage vehicle owners to subscribe to services and purchase products such as ours. Therefore, we rely on insurance companies' continued practice of accepting vehicle location and recovery technology as a preferred security product.

If any of these policies or practices changes, for regulatory or commercial reasons, or if market prices for these services fall, revenues from sales of our SVR services and products, primarily in Israel, could decline, which could adversely affect our revenues and growth potential.

A decline in sales of consumer or commercial vehicles in the markets in which we operate could result in reduced demand for our products and services.

Our products are primarily installed before or immediately after the initial sale of private or commercial vehicles. Consequently, a reduction in sales of new vehicles could reduce our market for services and products. New vehicle sales may decline for various reasons, including an increase in new vehicle tariffs, taxes or gas prices, an increased difficulty in obtaining credit or financing in the applicable local or global economy, or the occurrence of natural disasters or public health crises, such as the recent outbreak of the novel coronavirus COVID-19. A decline in sales of new vehicles in the markets in which we operate could result in reduced demand for our services and products.

A reduction in vehicle theft rates may adversely impact demand for our SVR services and products.

Demand for our SVR services and products, depends primarily on prevailing or expected vehicle theft rates. Vehicle theft rates may decline as a result of various factors such as the availability of improved security systems, implementation of improved or more effective law enforcement measures, or improved economic or political conditions in markets that have high theft rates. If vehicle theft rates in some of, or entire of, our existing markets decline, or if insurance companies or our other customers believe that vehicle theft rates have declined or are expected to decline, demand for our SVR services and products may decline.

The increasing availability of handheld GPRS devices may reduce the demand for our products for small fleet management.

The increasing availability of low-cost handheld GPRS devices and smartphones may result in a decrease in the demand for our products by managers of small auto fleets or providers of low-level services. The availability of such devices has expanded considerably in recent years. Any such decline in demand for our products could cause a decline in our revenues and profitability.

The use of our products is subject to international regulations.

The use of our products is subject to regulatory approvals of government agencies in each of the countries in which our systems are operated, including Israel. Our operators typically must obtain authorization from each country in which our systems and products are installed. While in general, operators have not experienced problems in obtaining regulatory approvals to date, the regulatory schemes in each country are different and may change from time to time. We cannot guarantee that approvals, which our operators have obtained, will remain sufficient in the view of regulatory authorities. In addition, we cannot assure you that third party operators of our systems and products will obtain licenses and approvals in a timely manner in all jurisdictions in which we wish to sell our systems or that restrictions on the use of our systems will not be unduly burdensome.

The adoption of industry standards that do not incorporate the technology we use may decrease or eliminate the demand for our services or products and could harm our results of operations.

There are no established industry standards in all of the businesses in which we sell our products. For example, vehicle location devices may operate by employing various technologies, including network triangulation, GPS, satellite-based or network-based cellular or direction-finding homing systems. The development of industry standards that do not incorporate the technology we use may decrease or eliminate the demand for our services or products and we may not be able to develop new services and products that are in compliance with such new industry standards on a cost-effective basis. If industry standards develop and such standards do not incorporate our products and we are unable to effectively adapt to such new standards, such development could harm our results of operations.

Our financial statements may not reflect certain payments we may be required to make to employees.

In certain countries, we are not required to reflect future severance fees in our liabilities. In countries such as Argentina, Brazil and Mexico, companies do not generally dedicate amounts to potential future severance payments. Nonetheless, in such cases, companies must pay a severance payment in cash upon termination of employment. We also do not have a provision in our financial statements for potential future severance payments in the above countries and instead such expenses are recorded when such payments are actually made upon termination of employment. As a result, our financial statements may not adequately reflect possible future severance payments.

Some of our employees in our subsidiaries are members of labor unions and a dispute between us and any such labor union could result in a labor strike that could delay or preclude altogether our ability to generate revenues in the markets where such employees are located.

Some of our employees in our subsidiaries are members of labor unions. If a labor dispute were to develop between us and our unionized employees, such employees could go on strike and we could suffer work stoppage for a significant period of time. A labor dispute can be difficult to resolve and may require us to seek arbitration for resolution, which can be time-consuming, distracting to management, expensive and difficult to predict. The occurrence of a labor dispute with our unionized employees could delay or preclude altogether our ability to generate revenues in the markets where such employees are located. In addition, labor disputes with unionized employees may involve substantial demands on behalf of the unionized employees, including substantial wage increases, which may not be correlated with our performance, thus impairing our financial results. Furthermore, labor laws applicable to our subsidiaries may vary and there is no assurance that any labor disputes will be resolved in our favor.

Under the current laws in jurisdictions in which we operate, we may not be able to enforce non-compete covenants and therefore may be unable to prevent our competitors from benefiting from the expertise of some of our former employees.

We currently have non-competition agreements with many of our employees. However, due to the difficulty of enforcing non-competition agreements globally, not all of our employees in foreign jurisdictions have such agreements. These agreements generally prohibit our employees, if they cease working for the Company, from directly competing with us or working for our competitors for a certain period of time following termination of their employment agreements. Israeli courts have required employers seeking to enforce non-compete undertakings of a former employee to demonstrate that the competitive activities of the former employee will harm one of a limited number of material interests of the employer which have been recognized by the courts, such as the secrecy of a company's confidential commercial information or its intellectual property. If we cannot demonstrate that harm would be caused to us, we may be unable to prevent our competitors from benefiting from the expertise of our former employees.

Manufacturing of many of our products is highly complex, and an interruption by suppliers, subcontractors or vendors could adversely affect our business, financial condition or results of operations.

Many of our products are the result of complex manufacturing processes and are sometimes dependent on components with a limited source of supply. As a result, we can provide no assurances that supply sources will not be interrupted from time to time. Furthermore, our subcontractors or vendors may fail to obtain supply components and fail to deliver our products. As a result, a failure to deliver by our subcontractors or vendors can result in decreased revenues. Such interruption or delay of our suppliers to deliver components or interruption or delay of our vendors or subcontractors to deliver our products could affect our business, financial condition or results of operations.

Our Israeli subsidiaries have incurred significant indebtedness to finance the Transactions.

In connection with the Transactions, PowerFleet Israel and Pointer entered into a credit agreement, dated August 19, 2019 (the “Credit Agreement”), with Bank Hapoalim B.M. (“Hapoalim”), pursuant to which Hapoalim agreed to provide PowerFleet Israel with two senior secured term loan facilities in an aggregate principal amount of \$30,000,000 (comprised of two facilities in the aggregate principal amount of \$20,000,000 and \$10,000,000) and a five-year revolving credit facility to Pointer in an aggregate principal amount of \$10,000,000. Such indebtedness will have the effect, among other things, of reducing PowerFleet Israel’s and Pointer’s flexibility to respond to changing business and economic conditions, will increase our borrowing costs and, to the extent that such indebtedness is subject to floating interest rates, may increase PowerFleet Israel’s and Pointer’s vulnerability to fluctuations in market interest rates. The Credit Agreement requires PowerFleet Israel and Pointer to satisfy various covenants, including negative covenants that directly or indirectly restrict our ability to engage in certain transactions without the consent of the lender. The indebtedness is secured by first ranking and exclusive fixed and floating charges, including by PowerFleet Israel over the entire share capital of Pointer and by Pointer over all of its assets, as well as cross guarantees between PowerFleet Israel and Pointer. This may also make it more difficult for us to engage in future transactions without the consent of the lender. The increased levels of indebtedness could also reduce funds available to fund efforts to integrate I.D. Systems’ and Pointer’s businesses and realize expected benefits of the Transactions and/or engage in investments in product development, capital expenditures and other activities and may create competitive disadvantages for us relative to other companies with lower debt levels. We may be required to raise additional financing for working capital, capital expenditures, acquisitions or other general corporate purposes. Our ability to arrange additional financing will depend on, among other factors, our financial position and performance, as well as prevailing market conditions and other factors beyond its control. We cannot assure you that we will be able to obtain additional financing on terms acceptable to us or at all.

The terms of the Credit Agreement restrict PowerFleet Israel’s and Pointer’s current and future operations, particularly their ability to respond to changes or to take certain actions.

The Credit Agreement contains a number of restrictive covenants that impose significant operating and financial restrictions on PowerFleet Israel and Pointer and limit their ability to engage in acts that may be in their long-term best interest, including restrictions on their ability to:

- incur or guarantee additional indebtedness;
- incur liens;
- sell or otherwise dispose of assets;
- enter into transactions with affiliates; and
- enter into new lines of business.

The Credit Agreement also limits the ability of PowerFleet Israel and Pointer to consolidate or merge with or into another person.

In addition, the covenants in the Credit Agreement require PowerFleet Israel and Pointer to maintain specified financial ratios, tested quarterly. Their ability to meet those financial ratios can be affected by events beyond their control, and they may be unable to meet them.

A breach of the covenants or restrictions under the Credit Agreement could result in an event of default, which may allow the lender to accelerate the indebtedness thereunder. In addition, an event of default under the Credit Agreement would permit the lender to terminate all commitments to extend further credit pursuant to the revolving credit facility. Furthermore, if PowerFleet Israel and Pointer are unable to repay the amounts due and payable under the Credit Agreement, the lender could proceed against the collateral granted to it to secure the indebtedness under the Credit Agreement. In the event the lender accelerates the repayment of borrowings, PowerFleet Israel and Pointer may not have sufficient assets to repay that indebtedness.

As a result of these restrictions, we may be:

- limited in our flexibility in planning for, or reacting to, changes in our business and the markets we serve;
- unable to raise additional debt or equity financing to fund working capital, capital expenditures, new product development expenses and other general corporate requirements; or
- unable to compete effectively or to take advantage of new business or strategic acquisition opportunities.

These restrictions may affect our ability to grow in accordance with our strategy.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As of December 31, 2020, we had cash (including restricted cash) and cash equivalents of \$18.4 million. In a declining interest rate environment, reinvestment typically occurs at less favorable market rates, negatively impacting future investment income. Accordingly, interest rate fluctuations may adversely affect our income and results of operations.

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

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

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

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

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

We have operations located in Israel, and therefore our results may be adversely affected by political, military and economic conditions in Israel.

Our subsidiaries PowerFleet Israel and Pointer operate in Israel, and therefore our business and operations may be directly influenced by the political, economic and military conditions affecting Israel at any given time. A change in the security and political situation in Israel could have a material adverse effect on our business, operating results and financial condition. Since the establishment of the State of Israel in 1948, a number of armed conflicts have taken place between Israel and its Arab neighbors, including Hezbollah in Lebanon and Hamas in the Gaza Strip. In the last few years, these conflicts have involved missile strikes against civilian targets in various parts of Israel, particularly in southern Israel where Pointer's main offices and manufacturing facility are located and have negatively affected business conditions in Israel. In addition, political uprisings and conflicts in various countries in the Middle East, including Syria and Iraq, and including terrorist organizations gaining control and political power in the region such as the Islamic State of Iraq and Syria, or ISIS, are affecting the political stability of those countries. It is not clear how this instability will develop and how it will affect the political and security situation in the Middle East.

In the event that our facilities are damaged as a result of hostile action or hostilities otherwise disrupt the ongoing operation of our facilities or the airports and seaports on which we depend to import and export our supplies and products, our ability to manufacture and deliver products to customers could be materially adversely affected. Additionally, the operations of our Israeli suppliers and contractors may be disrupted as a result of hostile action or hostilities, in which event our ability to deliver products to customers may be materially adversely affected.

Furthermore, several countries, principally in the Middle East, restrict doing business with Israel and Israeli companies, and additional countries may impose restrictions on doing business with Israel and Israeli companies if hostilities or political instability in the region continues or intensifies. These restrictions may limit materially our ability to obtain raw materials from these countries or sell our products to companies in these countries. Any hostilities involving Israel or the interruption or curtailment of trade between Israel and its present trading partners could have a material adverse effect on our business, operating results and financial condition.

Any downturn in the Israeli economy may also have a significant impact on our business. Israel's economy has been subject to numerous destabilizing factors, including a period of rampant inflation in the early to mid-1980's, low foreign exchange reserves, fluctuations in world commodity prices, military conflicts and civil unrest. The revenues of certain of our products and services may be adversely affected if fewer vehicles are used as a result of an economic downturn in Israel, an increase in use of mass transportation, an increase in vehicle related taxes, an increase in the imputed value of vehicles provided as a part of employee compensation or other macroeconomic changes affecting the use of vehicles. In addition, our SVR services significantly depend on Israeli insurance companies mandating subscription to a service such as the Company's. If Israeli insurance companies cease to require such subscriptions, our business could be significantly adversely affected. We also rely on the renewal and retention of several operating licenses issued by certain Israeli regulatory authorities. Should such authorities fail to renew any of these licenses, suspend existing licenses, or require additional licenses, we may be forced to suspend or cease certain services we provide.

Many of our employees in Israel are required to perform military reserve duty.

All non-exempt male adult permanent residents of Israel under the age of 40, including some of Pointer's employees, are obligated to perform military reserve duty and may be called to active duty under emergency circumstances. In the past there have been significant call ups of military reservists, and it is possible that there will be additional call-ups in the future. While Pointer has operated effectively despite these conditions in the past, we cannot assess the impact these conditions may have on it in the future, particularly if emergency circumstances occur. Our operations could be disrupted by the absence for a significant period of one or more of our key employees or a significant number of our other employees due to military service. Any disruption in our operations would harm our business.

We may be adversely affected by a change of the Israeli Consumer Price Index.

Our exposure to market rate risk for changes in the Israeli Consumer Price Index (the "Israeli CPI") relates primarily to loans borrowed by us from banks and other lenders. While we do not currently have any loans linked to the Israeli CPI, we may require additional financing by means of loans linked to the Israeli CPI, in which case we will be exposed to the risk that the rate of Israeli CPI, which measures inflation in Israel, will exceed the rate of devaluation of the NIS in relation to the U.S. Dollar or that the timing of this devaluation lags behind inflation in Israel. This would have the effect of increasing the Dollar cost of our borrowings.

By administrative order, certain provisions of the collective bargaining agreements between the Histadrut (General Federation of Labor in Israel) and the Coordination Bureau of Economic Organizations, relating primarily to the length of the workday, pension contributions, insurance for work-related accidents, and other conditions of employment are applicable to our employees. In accordance with these provisions, the salaries of the Company's employees are partially indexed to the Israeli CPI. In the event that inflation in Israel increases, we will have to increase the salaries of our employees in Israel.

The Argentine government may enact or enforce measures to preempt or respond to social unrest or economic turmoil which may adversely affect our business in Argentina.

Our subsidiary Pointer Argentina operates in Argentina, where the government has historically exercised significant influence over the country's economy. In recent years, Argentina has faced nationwide strikes that disrupted economic activity and have heightened political tension and there has been a significant devaluation of the Argentine peso relative to the U.S. Dollar. In addition, future government policies to preempt, or in response to, social unrest may include expropriation, nationalization, forced renegotiation or modification of existing contracts, suspension of the enforcement of creditors' rights, new taxation policies, customs duties and levies including royalty and tax increases and retroactive tax claims, and changes in laws and policies affecting foreign trade and investment. Such policies could destabilize the country and adversely and materially affect the economy, and thereby our business. Additionally, due to agreements with the General Workers' Union in Argentina and the country's high inflation rate, we may be required to increase employee salaries at a rate which could adversely affect Pointer Argentina's business.

Economic uncertainty and volatility in Brazil may adversely affect our business.

We operate through our wholly owned subsidiary Pointer do Brasil Comercial Ltda. (“Pointer Brazil”) in Brazil, which has periodically experienced extremely high rates of inflation. Inflation, along with governmental measures to fight inflation and public speculation about possible future measures, has had significant negative effects on the Brazilian economy. In addition, future governmental actions, including actions to adjust the value of the Brazilian real, may trigger increases in inflation. There can be no assurance that inflation will not affect our business in Brazil in the future. In addition, any Brazilian government’s actions to maintain economic stability, as well as public speculation about possible future actions, may contribute significantly to economic uncertainty in Brazil. It is also difficult to assess the impact that turmoil in the credit markets will have on the Brazilian economy and on our future operations and financial results or our operations in Brazil.

The Brazilian currency has devalued frequently, including during the last two decades. Throughout this period, the Brazilian government has implemented various economic plans and utilized a number of exchange rate policies, including sudden devaluations and periodic mini-devaluations, during which the frequency of adjustments has ranged from daily to monthly, floating exchange rate systems, exchange controls and dual exchange rate markets. There have been significant fluctuations in the exchange rates between Brazilian currency and the U.S. Dollar and other currencies.

Devaluation of the Brazilian real relative to the U.S. Dollar may create additional inflationary pressures in Brazil by generally increasing the price of imported products and requiring recessionary governmental policies to curb aggregate demand. On the other hand, further appreciation of the Brazilian real against the U.S. Dollar may lead to a deterioration of the current account and the balance of payments, as well as dampen export-driven growth. The potential impact of the floating exchange rate and measures of the Brazilian government aimed at stabilizing the Brazilian real is uncertain. In addition, a substantial increase in inflation may weaken investor confidence in Brazil, impacting our ability to finance our operations in Brazil.

Pointer Brazil is currently subject to various tax proceedings in Brazil. In August 2014, Pointer Brazil received a notice from the Brazilian tax authority alleging that it had not paid an aggregate of \$200,000 in value-added tax, the Brazilian ICMS tax, plus \$1,446,000 of interest, in addition to a penalty fee in the aggregate of \$1,646,000 collectively as of December 31, 2020. In July 2015, Pointer Brazil received another tax deficiency notice alleging that the services provided by Pointer Brazil should be classified as “telecommunication services” and therefore Pointer Brazil should be subject to the state value-added tax. The aggregate amount claimed to be owed under the notice was approximately \$10,680,000 as of December 31, 2020. On August 14, 2018, the lower chamber of the State Tax Administrative Court in São Paulo rendered a decision that was favorable to Pointer Brazil in relation to the ICMS demands, but adverse with respect to the clerical obligation of keeping in good order a set of ICMS books and related tax receipts. The state has the opportunity to appeal to the higher chamber of the State Tax Administrative Court. While our legal counsel is of the opinion that it is probable that we will prevail in these proceedings and that no material costs will arise in respect to these claims, litigation is inherently subject to many uncertainties and we cannot provide any assurance that we will ultimately be successful.

The Brazilian government has exercised, and may continue to exercise, significant influence over the Brazilian economy.

The Brazilian economy has been characterized by significant involvement on the part of the Brazilian government, which often changes monetary, credit and other policies to influence Brazil’s economy. The Brazilian government’s actions to control inflation and affect other policies have often involved wage and price controls, the Central Bank’s base interest rates, as well as other measures.

Actions taken by the Brazilian government concerning the economy may have important effects on Brazilian corporations and other entities. Our financial condition and results of operations in Brazil may be adversely affected by the following factors and the Brazilian government’s response to the following factors:

- devaluations and other exchange rate movements;
- inflation;
- investments;
- exchange control policies;
- employment levels;
- social instability;
- price instability;
- energy shortages;
- interest rates;
- liquidity of domestic capital and lending markets;
- tax policy; and
- other political, diplomatic, social and economic developments in or affecting Brazil.

Political instability in Brazil may adversely affect Brazil’s economy and investment levels and have a material adverse effect on the Company.

Brazil’s political environment has historically influenced, and continues to influence, the performance of the country’s economy. Political crises have affected and continue to affect the confidence of investors and the general public and have historically resulted in economic deceleration and heightened volatility in the securities issued by Brazilian companies.

The recent economic instability in Brazil has contributed to a decline in market confidence in the Brazilian economy as well as to a deteriorating political environment. Despite the ongoing recovery of the Brazilian economy, weak macroeconomic conditions in Brazil are expected to continue in 2020. In addition, various ongoing investigations into allegations of money laundering and corruption being conducted by the Brazilian Federal Prosecutor’s Office, including the largest such investigation known as “Lava Jato,” have negatively impacted the Brazilian economy and political environment.

In recent years, there has been significant political turmoil in connection with the impeachment of the former president (who was removed from office in August 2016) and ongoing investigations of her successor (who left office in January 2019) as part of the ongoing “Lava Jato” investigations. Presidential elections were held in Brazil in October 2018. We cannot predict which policies the new President of Brazil, who assumed office on January 1, 2019, may adopt or change during his mandate or the effect that any such policies might have on our business and on the Brazilian economy. Any such new policies or changes to current policies may have a material adverse effect on the operations of our business in Brazil. Also, the political uncertainty resulting from the presidential elections and the transition to a new government may have an adverse effect on our business, results of operations and financial condition.

Economic uncertainty and volatility in Mexico may adversely affect our business.

Our subsidiaries Pointer Recuperacion Mexico S.A., de C.V. (“Pointer Recuperacion Mexico”) and Pointer Logistica y Monitoreo, S.A. de C.V. (“Pointer Logistica”) operate in Mexico, which has gradually experienced, since 2013, substantial decrease in the value of the Mexican peso against the U.S. dollar, together with growing inflation rates. Uncertainty about future U.S. policies with respect to Mexico has caused further devaluation of the Mexican peso against the U.S. dollar since the U.S. elections in November 2016. The devaluation of the Mexican peso and rise in inflation rate has triggered demonstrations and heightened political tension. Severe devaluation may lead to future governmental actions, including actions to adjust the value of the Mexican peso, policies which may trigger further increases in inflation. There can be no assurance that inflation will not affect our business in Mexico in the future. In addition, any Mexican government’s actions to maintain economic stability, as well as public speculation about possible future actions, may contribute significantly to economic uncertainty in Mexico. Economic instability and or government imposition of exchange controls may also result in the disruption of the international foreign exchange markets and may limit our ability to transfer or convert pesos into U.S. Dollars and other currencies. Such policies could destabilize the country and adversely and materially affect the economy, and thereby our business. Additionally, due to agreements with the Confederation of Workers of Mexico (CTM) in Mexico and the country’s high inflation rate, we may be required to increase employee salaries at a rate which could adversely affect our business.

If we do not achieve applicable black economic empowerment objectives in our South African businesses, we risk not being able to renew certain of our existing contracts which service South African governmental and quasi-governmental customers, as well as not being awarded future corporate and governmental contracts which would result in the loss of revenue.

The South African government, through the Broad-Based Black Economic Empowerment Act, No. 53 of 2003, the Codes of Good Practice and Sector Codes published pursuant thereto (collectively, the “BBBEE”) has established a legislative framework for the promotion of broad-based black economic empowerment. BBBEE objectives are pursued in significant part by requiring parties who contract with corporate, governmental or quasi-governmental entities in South Africa to achieve BBBEE compliance through a rating system by satisfaction of various elements on an applicable scorecard. Among other things, parties improve their BBBEE score when procuring goods and services from businesses that have earned good BBBEE ratings, which include black owned businesses.

In October 2017, Pointer sold 12% of Pointer South Africa’s issued and outstanding share capital as of the date thereof, to Ms. Preshnee Moodley, who also serves on Pointer South Africa’s board of directors. Following the sale, Pointer South Africa holds ownership recognition under the applicable BBBEE legislation at level 5. Pointer and Ms. Moodley also entered into a written shareholders’ agreement in respect of Pointer South Africa, which governs their relationship as shareholders of Pointer South Africa.

Failing to achieve applicable BBBEE objectives could jeopardize our ability to maintain existing business, or to secure future business, from corporate, governmental or quasi-governmental customers in South Africa that could materially and adversely affect our business, financial condition and results of operations.

Risks Related to our Securities

Holders of our Series A Preferred Stock can exercise significant control over the Company, which could limit the ability of our stockholders to influence the outcome of key transactions, including a change of control.

In connection with the closing of the Transactions, we issued Series A Convertible Preferred Stock, par value \$0.01 per share (the “Series A Preferred Stock”), to the Investors. The Series A Preferred Stock represents a significant percentage of the aggregate voting power of the Company. Based on an initial conversion price of \$7.319, the Investors, who are the initial holders of the Series A Preferred Stock, own approximately 17% of the Company on an as-converted basis as of March 17, 2021. Except as required by applicable law or as otherwise specifically set forth in our Amended and Restated Certificate of Incorporation (the “Charter”), the holders of Series A Preferred Stock will not be entitled to vote on any matter presented to our stockholders unless and until any holder of Series A Preferred Stock provides written notification to the Company that such holder is electing, on behalf of all holders of Series A Preferred Stock, to activate their voting rights and in doing so rendering the Series A Preferred Stock voting capital stock of the Company (such notice, a “Series A Voting Activation Notice”). From and after the delivery of Series A Voting Activation Notice, all holders of the Series A Preferred Stock will be entitled to vote with the holders of our common stock as a single class on an as-converted basis unless and until such time as the holders of at least a majority of the outstanding shares of Series A Preferred Stock provide further written notice to the Company that they elect to deactivate their voting rights. In addition, the aggregate voting power of the Series A Preferred Stock may increase further in connection with the accrual of dividends at an initial minimum rate of 7.5% per annum, which may be payable, at our election, in kind through the issuance of additional shares of Series A Preferred Stock. However, to the extent voting rights of the Series A Preferred Stock have been activated, any holder of Series A Preferred Stock shall not be entitled to cast votes for the number of shares of our common stock issuable upon conversion of shares of Series A Preferred Stock held by such holder that exceeds the quotient of (i) the aggregate Series A Issue Price (as defined below) for such shares of Series A Preferred Stock divided by (ii) \$5.57 (subject to adjustment for stock splits, stock dividends, combinations, reclassifications and similar events, as applicable). As a result, the holders of shares of the Series A Preferred Stock have the ability to significantly influence the outcome of any matter submitted for the vote of our stockholders.

In addition, the Series A Preferred Stock will have representation on our board of directors and will have significant control over the management and affairs of the Company. So long as shares of Series A Preferred Stock remain outstanding and represent 15% or more, on an as-converted basis, of the voting power of our common stock (irrespective of whether or not a Series A Voting Activation Notice has been delivered to the Company), the holders of at least a majority of the outstanding shares of Series A Preferred Stock, voting as a separate class, will be entitled to elect two directors (the “Series A Directors”) to our board of directors and any committee or subcommittee thereof (subject to the application of SEC and Nasdaq independence requirements). So long as any shares of Series A Preferred Stock remain outstanding and represent less than 15% but not less than 5%, on an as-converted basis, of the voting power of our common stock (irrespective of whether or not a Series A Voting Activation Notice has been delivered to the Company), the holders of at least a majority of the outstanding shares of Series A Preferred Stock, voting as a separate class, will be entitled to elect one Series A Director to our board of directors. For so long as any shares of Series A Preferred Stock remain outstanding and there are no Series A Directors on our board of directors, the holders of at least a majority of the outstanding shares of Series A Preferred Stock, voting as a separate class, will be entitled to designate one non-voting observer to attend all meetings of our board of directors and committees and subcommittees thereof, although the observer may be excluded from executive sessions of any committee at the discretion of such committee.

Further, the Series A Preferred Stock will have consent rights over certain significant corporate transactions. So long as shares of Series A Preferred Stock are outstanding and convertible into shares of our common stock that represent at least 10% of the voting power of our common stock, or the Investors or their affiliates continue to hold at least 33% of the aggregate amount of Series A Preferred Stock issued to the Investors on the date on which any shares of Series A Preferred Stock are first issued (the “Original Issuance Date”), the consent of the holders of at least a majority of the outstanding shares of Series A Preferred Stock will be necessary for us to, among other things, (i) liquidate the Company or any operating subsidiary or effect any Deemed Liquidation Event (as defined in the Charter), except for a Deemed Liquidation Event in which the holders of Series A Preferred Stock receive an amount in cash not less than the Redemption Price (as defined below), (ii) amend our organizational documents in a manner that adversely affects the Series A Preferred Stock, (iii) issue any securities that are senior to, or equal in priority with, the Series A Preferred Stock or issue additional shares of Series A Preferred Stock to any person other than the Investors or their affiliates, (iv) incur indebtedness above the agreed-upon threshold, (v) change the size of our board of directors to a number other than seven, or (vi) enter into certain affiliated arrangements or transactions.

The Series A Preferred Stock has rights, preferences and privileges that are not held by, and are preferential to, the rights of holders of our common stock, which could adversely affect our liquidity and financial condition, and may result in the interests of the holders of Series A Preferred Stock differing from those of the holders of our common stock.

The Series A Preferred Stock ranks senior to the shares of our common stock, with respect to dividend rights and rights on the distribution of assets on any voluntary or involuntary liquidation, dissolution or winding up of the Company or upon a Deemed Liquidation Event. The Series A Preferred Stock has a liquidation preference equal to the greater of (i) \$1,000 (subject to ratable adjustment in the case of stock dividends (other than preferred dividends), stock splits, reverse stock splits, combinations, divisions and reclassifications affecting the Series A Preferred Stock) (the “Series A Issue Price”) per share plus all accrued and unpaid dividends thereon (except in the case of a Deemed Liquidation Event, then 150% of such amount) and (ii) the amount such holder would have received if the Series A Preferred Stock had converted into our common stock immediately prior to such event.

In addition, holders of Series A Preferred Stock will be entitled to cumulative dividends at a minimum rate of 7.5% per annum, quarterly in arrears, as set forth in the Charter. Commencing on the 66-month anniversary of the Original Issuance Date, and on each monthly anniversary thereafter, the dividend rate will increase by 100 basis points, until the dividend rate reaches 17.5% per annum, subject to our right to defer the increase for up to three consecutive months on the terms set forth in the Charter. The dividends are payable at our election in kind, through the issuance of additional shares of Series A Preferred Stock, or in cash, provided no dividend payment failure has occurred and is continuing and that there have not previously occurred two or more dividend payment failures.

Further, at any time after (i) the 66-month anniversary of the Original Issuance Date, (ii) following delivery of a mandatory conversion notice by us, or (iii) upon a Deemed Liquidation Event, subject to Delaware law governing distributions to stockholders, the holders of the Series A Preferred Stock may elect to require us to redeem all or any portion of the outstanding shares of Series A Preferred Stock for an amount per share equal to the greater of (i) the product of (x) 1.5 multiplied by (y) the sum of the Series A Issue Price, plus all accrued and unpaid dividends and (ii) the product of (x) the number of shares of our common stock issuable upon conversion of such Series A Preferred Stock multiplied by (y) the volume weighted average price of our common stock during the 30 consecutive trading day period ending on the trading date immediately prior to the date of such redemption notice or, if calculated in connection with a Deemed Liquidation Event, the value ascribed to a share of our common stock in such Deemed Liquidation Event (the “Redemption Price”). If the holders of Series A Preferred Stock elect to redeem all outstanding shares of Series A Preferred Stock and we have not redeemed all such shares on the applicable date on which the redemption should occur, and such redemption has not been completed on the six month anniversary thereof, the holders of at least a majority of the outstanding shares of Series A Preferred Stock will have the right to initiate, conduct and direct, subject to the approval of our board of directors, a customary sale process regarding the sale of the Company and/or its subsidiaries.

Finally, at any time after the third anniversary of the Original Issuance Date, provided that (i) we are not then in material breach of (or has previously on no more than two occasions materially breached) any of provisions of the Charter, (ii) the terms of any other indebtedness or agreement would not prohibit such redemption, and (iii) we have not previously exercised such redemption right, we may elect to redeem all (but not less than all) shares of Series A Preferred Stock for an amount per share equal to the Redemption Price.

These dividend and redemption payment obligations could significantly impact our liquidity and reduce the amount of our cash flows that are available for working capital, capital expenditures, growth opportunities, acquisitions, and other general corporate purposes. Our obligations to the holders of Series A Preferred Stock could also limit our ability to obtain additional financing or increase its borrowing costs, which could have an adverse effect on our financial condition. The preferential rights described above could also result in divergent interests between the holders of shares of Series A Preferred Stock and the holders of our common stock.

Any issuance of our common stock upon conversion of the Series A Preferred Stock will cause dilution to then existing Company stockholders and may depress the market price of our common stock.

The Series A Preferred Stock accrues dividends at an initial minimum rate of 7.5% per annum and following the 66-month anniversary of the Original Issuance Date, such dividend rate could increase to as high as 17.5% per annum. Each share of Series A Preferred Stock is convertible, at the option of the holders, into the number of shares of our common stock equal to the quotient (rounded up to the nearest whole number) of (i) the Series A Issue Price, plus any accrued and unpaid dividends, divided by (ii) the Series A Conversion Price, subject to adjustment and certain anti-dilution adjustments. The Series A Conversion Price is initially equal to \$7.319.

The issuance of our common stock upon conversion of the Series A Preferred Stock will result in immediate and substantial dilution to the interests of holders of our common stock, and such dilution will increase over time in connection with the accrual of dividends on the Series A Preferred Stock.

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

As of March 17, 2021, our executive officers and directors beneficially owned, in the aggregate, 8% of our outstanding common stock, not including 2,150,114 shares of common stock that our executive officers and directors may acquire upon the exercise of outstanding options or if they otherwise acquire additional shares of common stock in the future. As a result, our officers and directors may have the ability to influence the outcome of all corporate actions requiring stockholder approval, irrespective of how our other stockholders may vote, including the following actions:

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

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

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

We have 35,976,809 shares of common stock outstanding as of March 17, 2021, of which 33,171,567 shares are freely transferable without restriction, and 2,805,242 shares are held by our officers and directors and, as such, are subject to the applicable volume, manner of sale, holding period and other limitations of Rule 144 under the Securities Act. In addition, as of December 31, 2020, options to purchase 3,624,000 shares of our common stock were issued and outstanding, of which 1,247,000 were vested. The weighted-average exercise price of the vested stock options is \$5.60. We also may issue additional shares of stock in connection with our business, including in connection with acquisitions, and may grant additional stock options to our employees, officers, directors and consultants under our stock option plans or warrants to third parties. If a significant portion of these shares of common stock were sold in the public market, the market value of our common stock could be adversely affected.

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

We have on file a shelf registration statement on Form S-3 that was declared effective by the SEC on November 27, 2019. The shelf registration statement allows us to raise up to an aggregate of \$60.0 million from the sale of common stock, preferred stock, warrants, debt securities, and units, or any combination of the foregoing. To date, we have sold, pursuant to the shelf registration statement, an aggregate of 809,846 shares of common stock for approximately \$4.2 million of gross proceeds in connection with our ATM Offering and an aggregate of 4,427,500 shares of common stock for gross proceeds of approximately \$28.8 million in connection with our Underwritten Public Offering. If we issue all of the remaining available securities included in the shelf registration statement, there could be a substantial dilutive effect on our common stock and an adverse effect on the price of our common stock.

Our Charter provides that the Court of Chancery of the State of Delaware will be the exclusive forum for certain legal actions between us and our stockholders, which could limit stockholders' ability to obtain a judicial forum viewed by the stockholders as more favorable for disputes with us or our directors, officers or employees, and the enforceability of the exclusive forum provision may be subject to uncertainty.

Article SIXTEENTH of the Charter provides, subject to certain exceptions enumerated in Article SIXTEENTH, that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware shall be the sole and exclusive forum for any stockholder to bring (i) any derivative action brought on behalf of the Company, (ii) any action asserting a claim of breach of fiduciary duty owed by any current or former director, officer or other employee or stockholder of the Company, (iii) any action asserting a claim arising pursuant to the General Corporation Law of Delaware (the "DGCL") or the Charter or our Amended and Restated Bylaws or as to which the DGCL confers jurisdiction on such court, or (iv) any action asserting a claim governed by the internal affairs doctrine, except for, in each of the aforementioned actions, among other things, any claims which are vested in the exclusive jurisdiction of a court or forum other than the Court of Chancery of the State of Delaware or for which the Court of Chancery of the State of Delaware does not have subject matter jurisdiction. Accordingly, the exclusive forum provision will not apply to claims arising under the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, or other federal securities laws for which there is exclusive federal or concurrent federal and state jurisdiction. Article SIXTEENTH provides that any person or entity who acquires an interest in our capital stock will be deemed to have notice of and consented to the provisions of Article SIXTEENTH. Stockholders will not be deemed to have waived our compliance with the federal securities laws and the rules and regulations thereunder. Although we believe this exclusive forum provision benefits us by providing increased consistency in the application of Delaware law in the types of lawsuits to which it applies, this exclusive forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or any of our directors, officers, other employees or stockholders, which may discourage lawsuits with respect to such claims. Further, in the event a court finds the exclusive forum provision contained in the Charter to be unenforceable or inapplicable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could harm our business, operating results and financial condition.

The Charter contains a provision renouncing our interest and expectancy in certain corporate opportunities which may prevent us from receiving the benefit of certain corporate opportunities.

The "corporate opportunity" doctrine provides that corporate fiduciaries, as part of their duty of loyalty to the corporation and its stockholders, may not take for themselves an opportunity that in fairness should belong to the corporation. As such, a corporate fiduciary may generally not pursue a business opportunity which the corporation is financially able to undertake and which, by its nature, falls into the line of the corporation's business and is of practical advantage to it, or in which the corporation has an actual or expectant interest, unless the opportunity is disclosed to the corporation and the corporation determines that it is not going to pursue such opportunity. Section 122(17) of the DGCL, however, expressly permits a Delaware corporation to renounce in its certificate of incorporation any interest or expectancy of the corporation in, or in being offered an opportunity to participate in, specified business opportunities or specified classes or categories of business opportunities that are presented to the corporation or its officers, directors or stockholders.

Article TWELFTH of the Charter contains a provision that, to the maximum extent permitted under the law of the State of Delaware, the Company renounces any interest or expectancy of the Company in, or in being offered an opportunity to participate in, business opportunities that are from time to time presented to the Series A Directors, any holder of Series A Preferred Stock (or the Company's common stock issuable upon the conversion of Series A Preferred Stock) or any partner, manager, member, director, officer, stockholder, employee or agent or affiliate of any such holder. Our board of directors believes that this provision, which is intended to provide that certain business opportunities are not subject to the "corporate opportunity" doctrine, is appropriate, as the Investors, who are the initial holders of the Series A Preferred Stock, and their affiliates invest in a wide array of companies, including companies with businesses similar to the Company, and without such assurances, the Investors would be unwilling or unable to enter into the Investment Agreement.

As a result of this provision, we may be not be offered certain corporate opportunities which could be beneficial to us and our stockholders. While we are unable at this time to predict how this provision may adversely impact our stockholders, it is possible that we would not be offered the opportunity to participate in a future transaction which might have resulted in a financial benefit to us, which could, in turn, result in a material adverse effect on our business, financial condition, results of operations, or prospects.

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

The Charter contains provisions that may discourage an unsolicited takeover proposal that stockholders may consider to be in their best interests. We are also subject to anti-takeover provisions under Delaware law, which could delay or prevent a change of control. Together, these provisions may make more difficult the removal of management and may discourage transactions that otherwise could involve payment of a premium over prevailing market prices for our securities. These provisions include: the right of the holders of the Series A Preferred Stock to appoint up to two directors; the absence of cumulative voting in the election of directors; the ability of our board of directors to issue up to 50,000 shares of currently undesignated and unissued preferred stock without prior stockholder approval; the consent rights of the holders of Series A Preferred Stock to certain corporate actions and transactions; advance notice requirements for stockholder proposals or nominations of directors; limitations on the ability of stockholders to call special meetings or act by written consent; preemptive rights of the holders of the Series A Preferred Stock to participate in future securities offerings of the Company; the requirement that certain amendments to the Charter be approved by 75% of the voting power of the outstanding shares of our capital stock; and the ability of our board of directors to amend our bylaws without stockholder approval.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

Our corporate headquarters are located in Woodcliff Lake, New Jersey. We also have domestic offices in Tampa, Florida and Plano, Texas. Our New Jersey offices measure approximately 13,899 square feet and is leased space. Our Florida offices consist of approximately 25,000 square feet of leased administrative and warehouse space, and our Texas offices consist of approximately 11,482 square feet of leased administrative space.

We also have international offices located in Rosh Ha'ayin, Israel, Buenos Aires, Argentina, São Paulo, Brazil, Dusseldorf, Germany, Mexico City, Mexico, Cape Town, Midrand, and Durban, South Africa and Oxford, United Kingdom. Our principal offices in Israel consist of approximately 27,000 square feet of leased office space. We also lease a call center and warehouse space and additional smaller facilities and antenna sites in various locations in Israel.

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

Item 3. Legal Proceedings.

The information contained in Note 18 to our consolidated financial statements included in this Annual Report on Form 10-K is incorporated herein by reference.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

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

Market Information

Our common stock is traded on the Nasdaq Global Market and the Tel Aviv Stock Exchange, in each case under the symbol “PWFL.”

Holdings

As of March 17, 2020, there were 29 holders of record of our common stock.

Dividends

We have never paid a cash dividend on our common stock and do not expect to pay a cash dividend in the near future. We currently intend to retain future earnings, if any, to finance our operations and expand our business.

Sales of Unregistered Securities

None.

Issuer Purchases of Equity Securities.

The following table provides information regarding our share repurchase activity for each month of the quarterly period ended December 31, 2020:

<u>Period</u>	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</u>	<u>Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs</u>
October 1, 2020 - October 31, 2020	1,000	\$ 6.51 ⁽¹⁾	\$ -	\$ -
November 1, 2020 - November 30, 2020.....	10,000	\$ 5.87 ⁽¹⁾	\$ -	\$ -
December 1, 2020 - December 31, 2020	25,000	\$ 7.32 ⁽²⁾	\$ -	\$ -
Total.....	<u>36,000</u>	<u>\$ 6.90</u>	<u>\$ -</u>	<u>\$ -</u>

(1) Represents shares of common stock withheld to satisfy minimum tax withholding obligations in connection with the vesting of restricted stock.

(2) Represents shares of common stock withheld to satisfy minimum tax withholding obligations in connection with the vesting of restricted stock and shares withheld pursuant to the exercise of stock options.

Item 6. Selected Financial Data

Not applicable.

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

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

Overview

PowerFleet, Inc. (together with its subsidiaries, “PowerFleet,” the “Company,” “we,” “our” or “us”) is a global leader and provider of subscription-based wireless Internet-of-Things (IoT) and machine-to-machine (M2M) solutions for securing, controlling, tracking, and managing high-value enterprise assets such as industrial trucks, trailers, containers, cargo, and light vehicles and heavy truck fleets.

As described more fully in Note 3 to our consolidated financial statements included in this Annual Report on Form 10-K, on October 3, 2019, we completed the Transactions (as defined below) contemplated by (i) the Agreement and Plan of Merger, dated as of March 13, 2019 (the “Merger Agreement”), by and among I.D. Systems, Inc., a Delaware corporation (“I.D. Systems”), the Company, Pointer Telocation Ltd., a private company limited by shares formed under the laws of the State of Israel (“Pointer”), PowerFleet Israel Ltd. (f/k/a Powerfleet Israel Holding Company Ltd.), a private company limited by shares formed under the laws of the State of Israel and a wholly-owned subsidiary of the Company (“PowerFleet Israel”), and Powerfleet Israel Acquisition Company Ltd., a private company limited by shares formed under the laws of the State of Israel and a wholly-owned subsidiary of PowerFleet Israel prior to the Transactions, and (ii) the Investment and Transaction Agreement, dated as of March 13, 2019, as amended by Amendment No. 1 thereto dated as of May 16, 2019, Amendment No. 2 thereto dated as of June 27, 2019 Amendment No. 3 thereto dated as of October 3, 2019 and Amendment No. 4 thereto dated as of May 13, 2020 (the “Investment Agreement,” and together with the Merger Agreement, the “Agreements”), by and among I.D. Systems, the Company, PowerFleet US Acquisition Inc., a Delaware corporation and a wholly-owned subsidiary of the Company prior to the Transactions, and ABRY Senior Equity V, L.P., ABRY Senior Equity Co-Investment Fund V, L.P. and ABRY Investment Partnership, L.P. (the “Investors”), affiliates of ABRY Partners II, LLC. As a result of the transactions contemplated by the Agreements (the “Transactions”), I.D. Systems and PowerFleet Israel each became direct, wholly-owned subsidiaries of the Company and Pointer became an indirect, wholly-owned subsidiary of the Company. Prior to the Transactions, PowerFleet had no material assets, did not operate any business and did not conduct any activities, other than those incidental to its formation and matters contemplated by the Agreements. I.D. Systems was determined to be the accounting acquirer in the Transactions. As a result, the historical financial statements of I.D. Systems for the periods prior to the Transactions are considered to be the historical financial statements of PowerFleet and the results of Pointer have been included in our consolidated financial statements from the date of the Transactions.

We are headquartered in Woodcliff Lake, New Jersey, with offices located around the globe.

Our patented technologies address the needs of organizations to monitor and analyze their assets to improve safety, increase efficiency and productivity, reduce costs, and improve profitability. Our offerings are sold under the global brands PowerFleet, Pointer and Cellocator.

We deliver advanced mobility solutions that connect assets to increase visibility operational efficiency and profitability. Across our vertical markets we differentiate ourselves by being OEM agnostic and helping mixed fleets view and manage their assets similarly. All of our solutions are paired with software as a service, or SaaS, analytics platforms to provide an even deeper layer of insights. These insights include a full set of operational Key Performance Indicators, or KPI’s, to drive operational and strategic decisions. These KPI’s leverage industry comparisons to show how a company is performing versus their peers. The more data the system collects, the more accurate a client’s understanding becomes.

The analytics platform, which is integrated into our customers’ management systems, is designed to provide a single, integrated view of asset and operator activity across multiple locations that provides enterprise-wide benchmarks and peer-industry comparisons. We look for analytics, as well as the data contained therein, to differentiate us from our competitors, make a growing contribution to revenue, and add value to our solutions, and help keep us at the forefront of the wireless asset management markets we serve.

We sell our wireless mobility solutions to both corporate-level executives, division heads and site-level management within the enterprise. We also utilize channel partners such as independent dealers and original equipment manufacturers, or OEMs, who may opt for us to white label our product. 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 food and grocery distribution, logistics, wholesale distribution, transportation, aviation, manufacturing, aerospace and defense, homeland security and vehicle rental.

We incurred net losses of approximately, \$5.8 million, \$12 million and \$13.6 million for the years ended December 31, 2018, 2019 and 2020, respectively, and have incurred additional net losses since inception. As of December 31, 2020, we had cash (including restricted cash) and cash equivalents of \$18.4 million, working capital of \$28.9 million, and an accumulated deficit of \$121.2 million. Our primary sources of cash are cash flows from operating activities, our holdings of cash, cash equivalents and investments from the sale of our capital stock and borrowings under our credit facility. To date, we have not generated sufficient cash flow solely from operating activities to fund our operations.

On January 30, 2019, we completed the acquisition (“CarrierWeb US Acquisition”) of substantially all of the assets of CarrierWeb, L.L.C. (“CarrierWeb”), an Atlanta-based provider of real-time in-cab mobile communications technology, electronic logging devices, two-way refrigerated command and control, and trailer tracking. On July 30, 2019, we completed the acquisition (the “CarrierWeb Ireland Acquisition” and together with the CarrierWeb US Acquisition, the “CarrierWeb Acquisitions”) of substantially all of the assets of CarrierWeb Services Ltd. (“CarrierWeb Ireland”), an affiliate of CarrierWeb, from e*freight Holding B.V., the owner of the outstanding equity of CarrierWeb Ireland. The assets we acquired in the CarrierWeb Acquisitions have been integrated into our products. The CarrierWeb Acquisitions allow the Company to offer a full complement of highly-integrated logistics technology solutions to its current customers and prospects and immediately add customers and subscriber units. The results of operations from each of the CarrierWeb Acquisitions have been included in our consolidated financial statements from the date of each such acquisition.

Critical Accounting Estimates

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

Revenue Recognition

We generate revenue from sales of systems and products and from customer SaaS and hosting infrastructure fees. Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring goods or providing services. Sales, value add, and other taxes the Company collects concurrently with revenue-producing activities are excluded from revenue. Incidental items that are immaterial in the context of the contract are recognized as expense. The expected costs associated with the Company’s base warranties continue to be recognized as expense when the products are sold.

Revenue is recognized when performance obligations under the terms of a contract with our customer are satisfied. Product sales are recognized at a point in time when title transfers, when the products are shipped, or when control of the system is transferred to the customer, which usually is upon delivery of the system and when contractual performance obligations have been satisfied. For products which do not have stand-alone value to the customer separate from the SaaS services provided, the Company considers both hardware and SaaS services a bundled performance obligation. Under the applicable accounting guidance, all of the Company’s billings for equipment and the related cost for these systems are deferred, recorded, and classified as a current and long-term liability and a current and long-term asset, respectively. The deferred revenue and cost are recognized over the service contract life, ranging from one to five years, beginning at the time that a customer acknowledges acceptance of the equipment and service.

We recognize revenue for remotely hosted SaaS agreements and post-contract maintenance and support agreements beyond our standard warranties over the life of the contract. Revenue is recognized ratably over the service periods and the cost of providing these services is expensed as incurred. Amounts invoiced to customers which are not recognized as revenue are classified as deferred revenue and classified as short-term or long-term based upon the terms of future services to be delivered. Deferred revenue also includes prepayment of extended maintenance, hosting and support contracts.

We earn other service revenues from installation services, training and technical support services which are short-term in nature and revenue for these services are recognized at the time of performance or right to invoice.

We recognize revenue on non-recurring engineering services over time, on an input-cost method performance basis, as determined by the relationship of actual labor and material costs incurred to date compared to the estimated total project costs. Estimates of total project costs are reviewed and revised during the term of the project. Revisions to project costs estimates, where applicable, are recorded in the period in which the facts that give rise to such changes become known.

We also derive revenue from leasing arrangements. Such arrangements provide for monthly payments covering product or 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.

Our contracts with customers may include multiple performance obligations. For such arrangements, the Company allocates revenue to each performance obligation based on its relative standalone selling price. The Company generally determines standalone selling prices based on observable prices charged to customers or adjusted market assessment or using expected cost-plus margin when one is available. Adjusted market assessment price is determined based on overall pricing objectives taking into consideration market conditions and entity specific factors.

We recognize an asset for the incremental costs of obtaining the contract arising from the sales commissions to employees because the Company expects to recover those costs through future fees from the customers. The Company amortizes the asset over one to five years because the asset relates to the services transferred to the customer during the contract term of one to five years.

The Company does not disclose the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less and (ii) contracts for which the Company recognizes revenue at the amount to which the Company has the right to invoice for services performed.

Stock-Based Compensation

We account for stock-based employee compensation for all share-based payments, including grants of stock options and restricted stock, as an operating expense based on their fair values on the grant date. The Company recorded stock-based compensation expense of \$2,163,000, \$3,794,000 and \$4,142,000 for the years ended December 31, 2018, 2019 and 2020, respectively.

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

Long-lived Assets

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

Business Combinations

Goodwill represents costs in excess of fair values assigned to the underlying net assets of acquired businesses. Goodwill and intangible assets deemed to have indefinite lives are not amortized and are tested for impairment on an annual basis and between annual tests whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets other than goodwill are amortized over their useful lives unless the lives are determined to be indefinite. Intangible assets are carried at cost, less accumulated amortization. Intangible assets consist of trademarks and trade names, patents, customer relationships and other intangible assets. Goodwill is tested at the reporting unit level, which is defined as an operating segment or one level below the operating segment. The Company operates in one reportable segment which is its only reporting unit. We test for an indication of goodwill impairment annually during the fourth quarter and when an indicator of impairment exists, by comparing the fair value of the reporting unit to its carrying value.

In the evaluation of goodwill for impairment, we have the option to perform a qualitative assessment to determine whether further impairment testing is necessary or to perform a quantitative assessment by comparing the fair value of a reporting unit to its carrying amount, including goodwill. Under the qualitative assessment, an entity is not required to calculate the fair value of a reporting unit unless the entity determines that it is more likely than not that its fair value is less than its carrying amount. By eliminating “Step 2” from the goodwill impairment test, the quantitative analysis of goodwill will result in an impairment loss for the amount that the carrying value of the reporting unit exceeds its fair value which is limited to the total amount of goodwill allocated to the reporting unit. For the years ended December 31, 2018, 2019 and 2020, the Company performed a qualitative goodwill impairment test and did not incur an impairment charge.

We re-measure the fair value of the contingent consideration at each reporting period and any change in the fair value from either the passage of time or events occurring after the acquisition date, is recorded in earnings in the accompanying consolidated statement of operations. Actual results could differ from such estimates in future periods based on the re-measurement of the fair value.

Income taxes

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

We recognize uncertainty in income taxes in the financial statements using a recognition threshold and measurement attribute of a tax position taken or expected to be taken in a tax return. We apply the “more-likely-than-not” recognition threshold to all tax positions, commencing at the adoption date of the applicable accounting guidance, which resulted in no unrecognized tax benefits as of such date. Additionally, there have been no unrecognized tax benefits subsequent to adoption. We have opted to classify interest and penalties that would accrue according to the provisions of relevant tax law as selling, general, and administrative expenses, in the consolidated statement of operations. For the years ended December 31, 2018, 2019 and 2020, there was no such interest or penalty.

Results of Operations

The following table sets forth certain items related to our statement of operations as a percentage of revenues for the periods indicated and should be read in conjunction with our consolidated financial statements and the related notes included elsewhere in this Annual Report on Form 10-K. Our results reflect the operations of (i) Pointer from October 3, 2019, the closing date of the Transactions, (ii) the assets we acquired from CarrierWeb Ireland from July 30, 2019, the closing date of the CarrierWeb Ireland Acquisition, and (iii) the assets we acquired from CarrierWeb US from January 30, 2019, the closing date of the CarrierWeb US Acquisition. A detailed discussion of the material changes in our operating results is set forth below.

	Year Ended December 31,		
	2018	2019	2020
Revenue:			
Products	69.5%	55.4%	40.2%
Services	30.5%	44.6%	59.8%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
Cost of Revenue:			
Cost of products.....	42.7%	36.6%	26.6%
Cost of services.....	8.7%	16.6%	21.4%
	<u>51.4%</u>	<u>53.2%</u>	<u>48.0%</u>
Gross profit.....	48.6%	46.8%	52.0%
Operating expenses:			
Selling, general and administrative expenses.....	46.5%	42.1%	45.7%
Research and development expenses	12.9%	10.4%	9.3%
Acquisition related expenses		6.3%	
Total operating expenses	<u>59.4%</u>	<u>58.8%</u>	<u>55.0%</u>
Loss from operations	-10.8%	-11.9%	-3.0%
Interest income	0.5%	0.2%	0.1%
Interest expense	-0.3%	-1.7%	-3.9%
Other income (expenses) net.....	-0.3%	-0.1%	-0.1%
Net loss before income taxes	<u>-11.0%</u>	<u>-13.5%</u>	<u>-7.0%</u>
Income tax benefit	0.0%	0.1%	-0.9%
Net loss before non-controlling interest.....	<u>-11.0%</u>	<u>-13.4%</u>	<u>-7.9%</u>
Non-controlling interest.....	0.0%	0.0%	0.0%
Preferred stock dividend	0.0%	-1.3%	-4.1%
Net loss attributable to common shareholders	<u>-11.0%</u>	<u>-14.7%</u>	<u>-11.9%</u>

Year Ended December 31, 2020 Compared to Year Ended December 31, 2019

REVENUES. Revenues increased by approximately \$31.7 million, or 38.7%, to \$113.6 million in 2020 from \$81.9 million in 2019. The increase in revenue is attributable to a full year of revenue from the Pointer acquisition which was completed on October 3, 2019, offset by a decrease in revenue in PowerFleet due to the impact COVID-19.

Revenues from products increased by approximately \$0.3 million, or 0.5%, to \$45.7 million in 2020 from \$45.4 million in 2019. The increase in product revenue is attributable to a full year of product revenue from the Pointer acquisition, offset by a decrease in product revenue in PowerFleet due to the impact of COVID-19.

Revenues from services increased by approximately \$31.4 million, or 86.1%, to \$67.9 million in 2020 from \$36.5 million in 2019. The increase in service revenue is attributable to a full year of service revenue resulting from our acquisition of Pointer.

COST OF REVENUES. Cost of revenues increased by approximately \$11.0 million, or 25.3%, to \$54.6 million in 2020 from \$43.6 million in 2019. Gross profit was \$59.0 million in 2020 compared to \$38.4 million in 2019. As a percentage of revenues, gross profit increased to 52.0% in 2020 from 46.8% in 2019.

Cost of products increased by approximately \$0.2 million, or 0.8%, to \$30.2 million in 2020 from \$30.0 million in 2019. Gross profit for products was \$15.4 million in 2020 compared to \$15.4 million in 2019. As a percentage of product revenues, gross profit decreased to 33.8% in 2020 from 33.9% in 2019.

Cost of services increased by approximately \$10.8 million, or 79.5%, to \$24.4 million in 2020 from \$13.6 million in 2019. Gross profit for services was \$43.6 million in 2020 compared to \$22.9 million in 2019. The increase in the gross profit was attributable to the increase in service revenue resulting from a full year of operations from our acquisition of Pointer. As a percentage of service revenues, gross profit increased to 64.2% in 2020 from 62.8% in 2019.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative (“SG&A”) expenses increased by approximately \$17.4 million, or 50.6%, to \$51.9 million in 2020 compared to \$34.5 million in 2019. The increase was principally due to our acquisition of Pointer.

RESEARCH AND DEVELOPMENT EXPENSES. Research and development expenses increased by approximately \$2.1 million, or 24.1%, to \$10.6 million in 2020 compared to \$8.5 million in 2019 principally due to our acquisition of Pointer.

ACQUISITION-RELATED EXPENSES. Acquisition related expenses decreased to \$-0- in 2020 from approximately \$5.1 million in 2019 principally due to the completion of the Transactions in 2019.

INTEREST EXPENSE. Interest expense increased by \$3.1 million, or 225.3%, to \$4.5 million in 2020 from \$1.4 million in 2019, principally due to a full year of our credit facility with Bank Hapoalim and convertible unsecured promissory notes in the aggregate principal amount of \$5,000,000 (the “Notes”) that we issued to the Investors, compared to a partial year of such interest expense in 2019 and an increase in the foreign currency translation losses related to long-term debt included in interest expense.

NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS. Net loss was \$13.6 million, or \$(0.46) per basic and diluted share, for 2020 as compared to net loss of \$12.0 million, or \$(0.59) per basic and diluted share, for the same period in 2019. The decrease in the net loss was due primarily to the reasons described above.

Year Ended December 31, 2019 Compared to Year Ended December 31, 2018

REVENUES. Revenues increased by approximately \$28.9 million, or 54.3%, to \$81.9 million in 2019 from \$53.1 million in 2018. The increase in revenue is attributable to an increase in revenue resulting from our acquisition of Pointer, which was completed on October 3, 2019, and an increase in PowerFleet for Vehicles solutions revenue which increased to \$15.9 million in 2019 compared to \$9.6 million in 2018.

Revenues from products increased by approximately \$8.5 million, or 23.1%, to \$45.4 million in 2019 from \$36.9 million in 2018. The increase in product revenue is attributable to an increase in product revenue resulting from our acquisition of Pointer, and an increase in PowerFleet for Vehicles solutions product revenue which increased to \$9.6 million in 2019 compared to \$8.5 million in 2018.

Revenues from services increased by approximately \$20.3 million, or 125.8%, to \$36.5 million in 2019 from \$16.2 million in 2018. The increase in service revenue is attributable to an increase in service revenue resulting from our acquisition of Pointer.

COST OF REVENUES. Cost of revenues increased by approximately \$16.3 million, or 59.7%, to \$43.6 million in 2019 from \$27.3 million in 2018. Gross profit was \$38.4 million in 2019 compared to \$25.8 million in 2018. As a percentage of revenues, gross profit decreased to 46.8% in 2019 from 48.6% in 2018.

Cost of products increased by approximately \$7.3 million, or 32.4%, to \$30.0 million in 2019 from \$22.6 million in 2018. Gross profit for products was \$15.4 million in 2019 compared to \$14.3 million in 2018. As a percentage of product revenues, gross profit decreased to 33.9% in 2019 from 38.6% in 2018. The decrease in gross profit as a percentage of product revenue was principally due to the higher product revenue from PowerFleet for Vehicles solutions which have a lower gross profit percentage.

Cost of services increased by approximately \$8.9 million, or 193.2%, to \$13.6 million in 2019 from \$4.6 million in 2018. Gross profit for services was \$22.9 million in 2019 compared to \$11.5 million in 2018. The increase in the service revenue gross profit was attributable to the increase in service revenue resulting from our acquisition of Pointer. As a percentage of service revenues, gross profit decreased to 62.8% in 2019 from 71.4% in 2018. The decrease in service gross profit as a percentage of service revenue was principally due to service revenue from the Pointer acquisition having a lower service gross margin than the historical service revenue.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative (“SG&A”) expenses increased by approximately \$9.8 million, or 39.6%, to \$34.5 million in 2019 compared to \$24.7 million in 2018. The increase was principally due to our acquisition of Pointer.

RESEARCH AND DEVELOPMENT EXPENSES. Research and development expenses increased by approximately \$1.7 million, or 24.4%, to \$8.5 million in 2019 compared to \$6.9 million in 2018 principally due to our acquisition of Pointer.

ACQUISITION-RELATED EXPENSES. Acquisition related expenses increased to approximately \$5.1 million in 2019 compared to \$-0- in 2018 principally due to the completion of the Transactions in 2019.

INTEREST EXPENSE. Interest expense increased by \$1.2 million, or 693.6%, to \$1.4 million in 2019 from \$0.2 million in 2018, principally due to our credit facility with Bank Hapoalim and (the “Notes”) that we issued to the Investors at the closing of the Transactions, which were used to partially finance our acquisition of Pointer.

NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS. Net loss was \$12.0 million, or \$(0.59) per basic and diluted share, for 2019 as compared to net loss of \$5.8 million, or \$(0.34) per basic and diluted share, for the same period in 2018. The decrease in the net loss was due primarily to the reasons described above.

Liquidity and Capital Resources

Historically, our capital requirements have been funded primarily from the net proceeds from the issuance of our securities, including any issuances of our common stock upon the exercise of options. As of December 31, 2020, we had cash (including restricted cash), cash equivalents and marketable securities of \$18.4 million and working capital of \$28.9 million, compared to cash, cash equivalents and marketable securities of \$16.7 million and working capital of \$29.3 million as of December 31, 2019.

On October 3, 2019, in connection with the completion of the Transactions, we issued and sold 50,000 shares of the Series A Convertible Preferred Stock, par value \$0.01 per share (the “Series A Preferred Stock”), to the Investors for an aggregate purchase price of \$50,000,000 pursuant to the terms of the Investment Agreement. The proceeds received from such sale were used to finance a portion of the cash consideration payable in our acquisition of Pointer.

Also, on October 3, 2019, we issued and sold the Notes to the Investors at the closing of the Transactions. We repaid in full the aggregate principal amount of \$5,000,000 and accrued interest under the Notes on October 1, 2020.

In addition, PowerFleet Israel and Pointer are party to a Credit Agreement (the “Credit Agreement”) with Bank Hapoalim B.M. (“Hapoalim”), pursuant to which Hapoalim agreed to provide PowerFleet Israel with two senior secured term loan facilities in an aggregate principal amount of \$30 million (comprised of two facilities in the aggregate principal amount of \$20 million and \$10 million) and a five-year revolving credit facility to Pointer in an aggregate principal amount of \$10 million. The proceeds of the term loan facilities were used to finance a portion of the cash consideration payable in our acquisition of Pointer. The proceeds of the revolving credit facility may be used by Pointer for general corporate purposes.

We have on file a shelf registration statement on Form S-3 that was declared effective by the Securities and Exchange Commission (the “SEC”) on November 27, 2019. Pursuant to the shelf registration statement, we may offer to the public from time to time, in one or more offerings, up to \$60.0 million of our common stock, preferred stock, warrants, debt securities, and units, or any combination of the foregoing, at prices and on terms to be determined at the time of any such offering. The specific terms of any future offering will be determined at the time of the offering and described in a prospectus supplement that will be filed with the SEC in connection with such offering.

On May 14, 2020, we entered into an equity distribution agreement for an “at-the-market offering” program (the “ATM Offering”) with Canaccord Genuity LLC (“Canaccord”) as sales agent, pursuant to which we issued and sold an aggregate of 809,846 shares of common stock for approximately \$4.2 million in gross proceeds. We terminated the equity distribution agreement effective as of August 14, 2020.

On February 1, 2021, we closed an underwritten public offering (the “Underwritten Public Offering”) of 4,427,500 shares of common stock (which includes the full exercise of the underwriters’ over-allotment option) for gross proceeds of approximately \$28.8 million, before deducting the underwriting discounts and commissions and other estimated offering expenses. The offer and sale of common stock in the ATM Offering and the Underwritten Public Offering were made pursuant to our shelf registration statement.

Because of the recent outbreak of COVID-19, there is significant uncertainty surrounding the potential impact on our results of operations and cash flows. We are proactively taking steps to increase available cash on hand including, but not limited to, targeted reductions in discretionary operating expenses and capital expenditures and borrowing under the revolving credit facility.

Capital Requirements

As of December 31, 2020, we had cash (including restricted cash), cash equivalents and marketable securities of \$18.4 million and working capital of \$28.9 million. Our primary sources of cash are cash flows from operating activities, our holdings of cash, cash equivalents and investments from the sale of our capital stock and borrowings under our credit facility. To date, we have not generated sufficient cash flow solely from operating activities to fund our operations.

We believe our available working capital, anticipated level of future revenues and expected cash flows from operations will provide sufficient funds to cover capital requirements through at least March 18, 2022.

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

Operating Activities

Net cash provided by operating activities was \$8.8 million for the year ended December 31, 2020, compared to net cash used in operating activities of \$7.3 million for the same period in 2019. The net cash provided by operating activities for the year ended December 31, 2020 reflects a net loss of \$13.6 million and includes non-cash charges of \$4.6 million for preferred dividends, \$4.3 million for stock-based compensation, \$8.4 million for depreciation and amortization expense and \$2.8 million for right of use asset amortization. Changes in working capital items included:

- a decrease in deferred revenue of \$4.3 million;
- a decrease in inventory of \$3.1 million; and
- a decrease in lease liabilities of \$3.0 million.

Net cash used in operating activities was \$7.3 million for the year ended December 31, 2019, compared to net cash used in operating activities of \$1.7 million for the same period in 2018. The net cash provided by operating activities for the year ended December 31, 2019 reflects a net loss of \$12.0 million and includes non-cash charges of \$1.1 million for preferred dividends, \$3.8 million for stock-based compensation, \$3.3 million for depreciation and amortization expense and \$1.0 million for right of use asset amortization. Changes in working capital items included:

- an increase in accounts receivable of \$1.1 million;
- an increase in inventories of \$3.3 million; and
- a decrease in lease liabilities of \$1.1 million.

Investing Activities

Net cash used in investing activities was \$3.3 million for the year ended December 31, 2020, compared to net cash used in investing activities of \$65.5 million for the same period in 2019. The change from the same period in 2019 was primarily due to \$-0- used for acquisitions in 2020 compared to \$69.0 million used for our acquisitions of Pointer and CarrierWeb in 2019, \$3.4 million used for the purchase of fixed assets in 2020 compared to \$1 million used for the purchase of fixed assets in 2019 and \$-0- provided by the proceeds from the sales and maturities of investments in 2020 compared to \$4.6 million in 2019.

Net cash used in investing activities was \$65.5 million for the year ended December 31, 2019, compared to net cash provided by investing activities of \$6.6 million for the same period in 2018. The change from the same period in 2018 was primarily due to \$69.0 million used for our acquisitions of Pointer and CarrierWeb, \$1.0 million used for the purchase of fixed assets in 2019 compared to \$251,000 used for the purchase of fixed assets in 2018 and \$4.6 million provided by the proceeds from the sale and maturities of investments in 2019 compared to \$10.0 million in 2018.

Financing Activities

Net cash used in financing activities was \$3.9 million for the year ended December 31, 2020, compared to net cash provided by financing activities of \$78.6 million for the same period in 2019. The change from the same period in 2019 was primarily due to net proceeds from our ATM Offering of \$4 million in 2020 compared to net proceeds from our sale of Series A Preferred Stock to the Investors of \$46.3 million in 2019, offset by the repayment of the Notes of \$5 million and the repayment of long-term debt of \$2.9 million.

Net cash provided by financing activities was \$78.6 million for the year ended December 31, 2019, compared to net cash provided by financing activities of \$69,000 for the same period in 2018. The change from the same period in 2018 was primarily due to net proceeds from our sale of Series A Preferred Stock to the Investors of \$46.3 million, \$35.0 million for the proceeds of long-term debt and the Notes, partially offset by \$2.0 million due to the repayment of long-term debt.

Contractual Obligations and Commitments

The following table summarizes our significant contractual obligations and commitments as of December 31, 2020:

	Payment due by Period				
	Total	Less than one year	1 to 3 years	3-5 years	After 5 years
Operating leases.....	\$ 11,127	\$ 2,647	\$ 4,164	\$ 4,316	\$ -
Term loans	29,171	5,589	11,041	12,541	-
	<u>40,298</u>	<u>8,236</u>	<u>15,205</u>	<u>16,857</u>	<u>-</u>

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

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

Inflation

We operate in several emerging market economies that are particularly vulnerable to the impact of inflationary pressures that could materially and adversely impact our operations in the foreseeable future.

Business Acquisitions

In addition to focusing on our core applications, we adapt our systems to meet our customers' broader asset management needs and seek opportunities to expand our solution offerings through strategic acquisitions.

On January 30, 2019, we completed the CarrierWeb Acquisition. The assets we acquired in the CarrierWeb Acquisition have been integrated into our products. The CarrierWeb Acquisition allows us to offer a full complement of highly-integrated logistics technology solutions to its current customers and prospects and immediately adds more than 70 customers and 9,000 subscriber units.

On October 3, 2019, we completed the Transactions, as a result of which I.D. Systems and PowerFleet Israel each became direct, wholly-owned subsidiaries of the Company and Pointer became an indirect, wholly-owned subsidiary of the Company. For further discussion on the Transactions and related transactions, please see Note 3 to our consolidated financial statements included in this Annual Report on Form 10-K.

Off-Balance Sheet Arrangements

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

Recently Issued Accounting Pronouncements

In December 2019, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2019-12, Simplifying the Accounting for Income Taxes which removes certain exceptions related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period, the recognition of deferred tax liabilities for outside basis differences and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. The guidance is generally effective as of January 1, 2021, with early adoption permitted. The Company has not early adopted the new standard for 2020 and is evaluating the impact of the new guidance on our financial statements.

In June 2016, the FASB issued ASU No. 2016-13, “Financial Instruments - Credit Losses (Topic 326) Measurement of Credit Losses on Financial Instruments,” which amends the guidance on measuring credit losses on financial assets held at amortized cost. The amendment is intended to address the issue that the previous “incurred loss” methodology was restrictive for an entity’s ability to record credit losses based on not yet meeting the “probable” threshold. The new language will require these assets to be valued at amortized cost presented at the net amount expected to be collected with a valuation provision. This updated standard is effective for fiscal years beginning after December 15, 2021. The Company is currently evaluating the impact of this ASU on the consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, “Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment,” which simplifies how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. Step 2 measures a goodwill impairment loss by comparing the implied fair value of a reporting unit’s goodwill with the carrying amount of that goodwill. Under the amendments in ASU 2017-04, an entity should recognize an impairment charge for the amount by which the carrying amount of a reporting unit exceeds its fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. The updated guidance requires a prospective adoption. The guidance is effective beginning fiscal year 2020. Early adoption is permitted. The adoption of this standard did not have an impact on the Company’s consolidated financial statements.

Item 7A. Quantitative and Qualitative Disclosures about Market Risks

Not applicable.

Item 8. Financial Statements and Supplementary Data

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of PowerFleet, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of PowerFleet, Inc. and subsidiaries (the Company) as of December 31, 2020 and 2019, the related consolidated statements of operations, comprehensive loss, cash flows, and changes in stockholders' equity for each of the two years in the period ended December 31, 2020, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2020, in conformity with U.S. generally accepted accounting principles.

Adoption of Accounting Standards (ASU) No. 2016-02

As discussed in Note 2 to the consolidated financial statements, effective January 1, 2019, PowerFleet changed its method of accounting for leases due to the adoption of ASU No. 2016-02, Leases (Topic 842) and the related amendments, using the modified retrospective method.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

<i>Description of the Matter</i>	<i>Income Taxes – Uncertain Tax Positions</i>
	As discussed in Note 17 of the consolidated financial statements, the Company has recorded a liability of \$0.4 million related to uncertain tax positions as of December 31, 2020. The Company conducts business in the US and various foreign countries and is therefore subject to US federal and state income taxes, as well as income taxes of multiple foreign jurisdictions. Due to the multinational operations of the Company and changes in global income tax laws and regulations, including those in the US, there is complexity in the accounting for and monitoring of the provision for uncertain tax positions.

Auditing management's identification and measurement of uncertain tax positions involved complex analysis and auditor judgment related to the evaluation of the income tax consequences of changes in income tax laws and regulations in various jurisdictions, which are often subject to interpretation.

How We Addressed the Matter in Our Audit Our audit procedures included, among others, evaluating the Company's assumptions and the underlying data used to identify its uncertain tax positions and to estimate the amount of the related unrecognized income tax benefits by jurisdiction. We obtained an understanding of the Company's legal structure by reviewing its organizational charts and related legal documents. Due to the complexity of the tax law in various jurisdictions, we involved our income tax professionals to assess the Company's interpretation of and compliance with tax laws in these jurisdictions, as well as to identify relevant tax law changes. In certain circumstances, we involved our income tax professionals to evaluate the technical merits of the Company's tax positions and to evaluate income tax opinions or other third-party advice obtained by the Company. We also evaluated the Company's income tax disclosures included in Note 17 to the consolidated financial statements in relation to these matters.

/s/ Ernst & Young LLP

We served as the Company's auditor since 2019.

Iselin, New Jersey
March 19, 2021

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of operations, comprehensive loss, changes in stockholders' equity, and cash flows of I.D. Systems, Inc. and Subsidiaries (the "Company") for the year ended December 31, 2018, and the related notes and financial statement schedule identified in Item 15 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the consolidated results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ EisnerAmper LLP

We served as the Company's auditor from 1999 to 2019.

EISNERAMPER LLP
Iselin, New Jersey
April 1, 2019

POWERFLEET, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
(In thousands, except per share data)

	As of December 31,	
	2019	2020
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 16,395	\$ 18,127
Restricted cash	308	308
Accounts receivable, net of allowance for doubtful accounts of \$2,004 and \$2,364 in 2019 and 2020, respectively	27,016	24,147
Inventory, net	16,381	12,873
Deferred costs – current	3,720	3,128
Prepaid expenses and other current assets	7,370	6,184
Total current assets	71,190	64,767
Deferred costs - less current portion	4,810	2,233
Fixed assets, net	8,240	8,804
Goodwill	89,068	83,344
Intangible assets, net	36,639	31,276
Right of use asset	7,024	9,700
Severance payable fund	3,530	4,056
Deferred tax asset	-	1,506
Other assets	2,532	3,115
Total assets	\$ 223,033	\$ 208,801
LIABILITIES		
Current liabilities:		
Short-term bank debt and current maturities of long-term debt	\$ 3,373	\$ 5,579
Convertible note payable	5,000	-
Accounts payable and accrued expenses	24,031	20,225
Deferred revenue - current	8,536	7,339
Lease liability - current	2,460	2,755
Total current liabilities	43,400	35,898
Long-term debt, less current maturities	26,515	23,179
Deferred revenue - less current portion	8,793	6,006
Lease liability - less current portion	4,779	7,050
Accrued severance payable	4,062	4,714
Deferred tax liability	3,791	-
Other long-term liabilities	120	674
Total liabilities	91,460	77,521
Commitments and Contingencies (note 21)		
MEZZANINE EQUITY		
Convertible redeemable preferred stock: Series A – 100 shares authorized, \$0.01 par value; 51 and 55 shares issued and outstanding at December 31, 2019 and December 31, 2020	47,393	51,992
Preferred stock; authorized 50,000 shares, \$0.01 par value;	-	-
Common stock; authorized 75,000 shares, \$0.01 par value; 30,804 and 32,280 shares issued at December 31, 2019 and December 31, 2020, respectively; shares outstanding, 29,743 and 31,101 at December 31, 2019 and December 31, 2020, respectively	308	323
Additional paid-in capital	201,813	206,499
Accumulated deficit	(112,143)	(121,150)
Accumulated other comprehensive gain (loss)	265	399
Treasury stock; 1,061 and 1,179 common shares at cost at December 31, 2019 and December 31, 2020, respectively	(6,053)	(6,858)
Total Powerfleet, Inc. stockholders' equity	84,190	79,213
Non-controlling interest	(10)	75
Total equity	84,180	79,288
Total liabilities and stockholders' equity	\$ 223,033	\$ 208,801

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

POWERFLEET, INC. AND SUBSIDIARIES
Consolidated Statements of Operations
(In thousands, except per share data)

	Year Ended December 31,		
	2018	2019	2020
Revenues:			
Products	\$ 36,897	\$ 45,416	\$ 45,651
Services.....	16,167	36,499	67,942
Total revenues.....	<u>53,064</u>	<u>81,915</u>	<u>113,593</u>
Cost of Revenues:			
Cost of products	22,638	29,982	30,219
Cost of services.....	<u>4,628</u>	<u>13,569</u>	<u>24,357</u>
	<u>27,266</u>	<u>43,551</u>	<u>54,576</u>
Gross Profit.....	<u>25,798</u>	<u>38,364</u>	<u>59,017</u>
Operating expenses:			
Selling, general and administrative expenses	24,671	34,447	51,878
Research and development expenses	6,863	8,540	10,597
Acquisition related expenses	<u>-</u>	<u>5,135</u>	<u>-</u>
	<u>31,534</u>	<u>48,122</u>	<u>62,475</u>
Loss from operations	(5,736)	(9,758)	(3,458)
Interest income.....	262	125	55
Interest expense	(173)	(1,373)	(4,467)
Other (expense), net.....	<u>(165)</u>	<u>(50)</u>	<u>(102)</u>
Net loss before income taxes	(5,812)	(11,056)	(7,972)
Income tax benefit (expense).....	<u>-</u>	<u>75</u>	<u>(1,038)</u>
Net loss before non-controlling interest.....	(5,812)	(10,981)	(9,010)
Non-controlling interest.....	-	18	3
Preferred stock dividends.....	<u>-</u>	<u>(1,084)</u>	<u>(4,599)</u>
Net loss attributable to common stockholders	<u>\$ (5,812)</u>	<u>\$ (12,047)</u>	<u>\$ (13,606)</u>
Net loss per share - basic and diluted.....	<u>\$ (0.34)</u>	<u>\$ (0.59)</u>	<u>\$ (0.46)</u>
Weighted average common shares outstanding - basic and diluted	<u>17,233</u>	<u>20,476</u>	<u>29,703</u>

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

POWERFLEET, INC. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Loss
(In thousands, except per share data)

	December 31,		
	<u>2018</u>	<u>2019</u>	<u>2020</u>
Net loss attributable to common stockholders	\$ (5,812)	\$ (12,047)	\$ (13,606)
Other comprehensive (loss) income, net:			
Unrealized (loss) gain on investments	(98)	9	-
Reclassification of net realized investment loss included in net loss	164	38	-
Foreign currency translation adjustment.....	<u>77</u>	<u>653</u>	<u>134</u>
Total other comprehensive income (loss)	<u>143</u>	<u>700</u>	<u>134</u>
Comprehensive loss	<u>\$ (5,669)</u>	<u>\$ (11,347)</u>	<u>\$ (13,472)</u>

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

POWERFLEET, INC. AND SUBSIDIARIES
Consolidated Statements of Changes in Stockholders' Equity
(In thousands, except per share data)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Non- controlling Interest	Stockholders' Equity
	Number of Shares	Amount						
Balance at January 1, 2018.....	18,327	\$ 183	\$ 133,569	\$ (95,368)	\$ (578)	\$ (4,835)	\$	\$ 32,971
Net loss attributable to common stockholders.....	-	-	-	(5,812)	-	-	-	(5,812)
Foreign currency translation adjustment..	-	-	-	-	77	-	-	77
Reclassification of realized losses on investments, net of unrealized amounts ...	-	-	-	-	66	-	-	66
Shares issued relating to acquisition contingent consideration	296	3	1,997	-	-	-	-	2,000
Issuance of restricted shares.....	434	4	(4)	-	-	-	-	-
Forfeiture of restricted shares	(48)	-	-	-	-	-	-	-
Shares issued pursuant to exercise of stock options.....	169	2	968	-	-	-	-	970
Shares repurchased pursuant to vesting of restricted stock.....	-	-	-	-	-	(652)	-	(652)
Shares withheld pursuant to exercise of stock options.....	-	-	-	-	-	(249)	-	(249)
Stock based compensation - restricted stock.....	-	-	1,803	-	-	-	-	1,803
Stock based compensation - options and performance shares.....	-	-	360	-	-	-	-	360
Balance at December 31, 2018.....	19,178	\$ 192	\$ 138,693	\$ (101,180)	\$ (435)	\$ (5,736)	\$	\$ 31,534
Net loss attributable to common stockholders.....	-	-	(1,084)	(10,963)	-	-	-	(12,047)
Foreign currency translation adjustment..	-	-	-	-	653	-	8	661
Reclassification of realized losses on investments, net of unrealized amounts ...	-	-	-	-	47	-	-	47
Shares issued pursuant to Pointer Transactions.....	10,756	107	57,973	-	-	-	-	58,080
Share based awards assumed Pointer Transaction	-	-	246	-	-	-	-	246
Shares issued relating to Keytroller acquisition consideration.....	148	1	999	-	-	-	-	1,000
Shares issued pursuant to CarrierWeb acquisition.....	71	1	405	-	-	-	-	406
Shares issued pursuant to exercise of stock options.....	59	1	221	-	-	-	-	222
Issuance of restricted shares.....	625	6	(6)	-	-	-	-	-
Forfeiture of restricted shares.....	(40)	-	-	-	-	-	-	-
Vesting of restricted stock units.....	7	-	-	-	-	-	-	-
Shares withheld pursuant to vesting of restricted stock.....	-	-	-	-	-	(317)	-	(317)
Stock based compensation	-	-	4,213	-	-	-	-	4,213
Net loss attributable to non-controlling interest	-	-	-	-	-	-	(18)	(18)
Other	-	-	153	-	-	-	-	153
Balance at December 31, 2019.....	30,804	\$ 308	\$ 201,813	\$ (112,143)	\$ 265	\$ (6,053)	\$ (10)	\$ 84,180
Net loss attributable to common stockholders.....	-	-	(4,599)	(9,007)	-	-	-	(13,606)
Net loss attributable to non-controlling interest	-	-	-	-	-	-	(3)	(3)
Foreign currency translation adjustment..	-	-	-	-	134	-	88	222
Issuance of restricted shares.....	461	4	(4)	-	-	-	-	-
Forfeiture of restricted shares.....	(143)	(1)	1	-	-	-	-	-
Vesting of restricted stock units.....	149	1	(1)	-	-	-	-	-
Other	-	-	62	-	-	-	-	62
Shares issued pursuant to exercise of stock options.....	199	3	935	-	-	-	-	938
Shares withheld pursuant to exercise of stock options.....	-	-	-	-	-	(382)	-	(382)
Shares withheld pursuant to vesting of restricted stock.....	-	-	-	-	-	(423)	-	(423)
Common shares issued.....	810	8	4,033	-	-	-	-	4,041
Stock based compensation	-	-	4,259	-	-	-	-	4,259
Balance at December 31, 2020.....	32,280	\$ 323	\$ 206,499	\$ (121,150)	\$ 399	\$ (6,858)	\$ 75	\$ 79,288

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

POWERFLEET, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
In thousands (except per share data)

	Year Ended December 31,		
	2018	2019	2020
Cash flows from operating activities (net of net assets acquired):			
Net loss	\$ (5,812)	\$ (12,047)	\$ (13,606)
Adjustments to reconcile net loss to cash (used in) provided by operating activities:			
Non-controlling interest	-	(18)	(3)
Preferred dividends	-	1,084	4,599
Inventory reserve	321	207	260
Stock based compensation	2,163	4,213	4,259
Depreciation and amortization	1,561	3,347	8,425
Right-of-use assets, non-cash lease expense	-	965	2,832
Bad debt expense	31	474	1,035
Change in contingent consideration	169	54	-
Deferred income taxes	-	-	359
Other non-cash items	85	(40)	23
Changes in:			
Accounts receivable	(554)	(1,297)	2,168
Inventory	(384)	(3,283)	3,050
Prepaid expenses and other assets	963	567	1,908
Deferred costs	(471)	539	3,169
Deferred revenue	(361)	(857)	(4,326)
Accounts payable and accrued expenses	587	(59)	(2,392)
Lease liabilities	-	(1,106)	(2,962)
Accrued severance payable, net	-	(12)	50
Net cash (used in) provided by operating activities	<u>(1,702)</u>	<u>(7,269)</u>	<u>8,848</u>
Cash flows from investing activities:			
Acquisitions, net of cash assumed	-	(69,005)	-
Proceeds from sale of property and equipment	-	24	75
Capital expenditures	(251)	(1,042)	(3,373)
Purchases of investments	(3,235)	(99)	-
Proceeds from the sale and maturities of investments	<u>10,082</u>	<u>4,638</u>	<u>-</u>
Net cash (used in) provided by investing activities	<u>6,596</u>	<u>(65,484)</u>	<u>(3,298)</u>
Cash flows from financing activities:			
Net proceeds from stock offering	-	46,309	4,041
Proceeds from convertible note	-	5,000	-
Repayment of convertible note	-	-	(5,000)
Proceeds from long-term debt	-	30,000	-
Repayment of long-term debt	-	(2,010)	(2,858)
Debt issuance costs	-	(742)	-
Short-term bank debt, net	-	75	(262)
Proceeds from exercise of stock options	721	330	556
Purchase of treasury stock upon vesting of restricted stock	(652)	(317)	(423)
Net cash (used in) provided by financing activities	<u>69</u>	<u>78,645</u>	<u>(3,946)</u>
Effect of foreign exchange rate changes on cash and cash equivalents	<u>100</u>	<u>345</u>	<u>128</u>
Net increase in cash, cash equivalents and restricted cash	5,063	6,237	1,732
Cash, cash equivalents and restricted cash - beginning of period	<u>5,403</u>	<u>10,466</u>	<u>16,703</u>
Cash, cash equivalents and restricted cash - end of period	\$ 10,466	\$ 16,703	\$ 18,435
Reconciliation of cash, cash equivalents, and restricted cash, beginning of period			
Cash and cash equivalents	5,097	10,159	16,395
Restricted cash	306	307	308
Cash, cash equivalents, and restricted cash, beginning of period	<u>\$ 5,403</u>	<u>\$ 10,466</u>	<u>\$ 16,703</u>
Reconciliation of cash, cash equivalents, and restricted cash, end of period			
Cash and cash equivalents	10,159	16,395	18,127
Restricted cash	307	308	308
Cash, cash equivalents, and restricted cash, end of period	<u>\$ 10,466</u>	<u>\$ 16,703</u>	<u>\$ 18,435</u>
Supplemental disclosure of cash flow information:			
Cash paid for:			
Taxes	\$ -	\$ 605	\$ 47
Interest	\$ -	\$ 807	\$ 2,297
Noncash investing and financing activities:			
Unrealized (loss) gain on investments	\$ 66	\$ 47	\$ -
Shares withheld pursuant to stock issuance	\$ 249	\$ -	\$ -
Value of shares withheld pursuant to exercise of stock options	\$ -	\$ -	\$ 382
Value of shares issued relating to acquisition contingent consideration	\$ 2,000	\$ 1,000	\$ -
Value of shares issued pursuant to acquisitions	\$ -	\$ (58,486)	\$ -

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

POWERFLEET, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 and 2020
In thousands (except per share data)

NOTE 1 - DESCRIPTION OF BUSINESS AND LIQUIDITY

As described more fully in Note 3, on October 3, 2019, PowerFleet, Inc. (together with its subsidiaries, “PowerFleet,” the “Company,” “we,” “our” or “us”) completed the Transactions (as defined below) contemplated by (i) the Agreement and Plan of Merger, dated as of March 13, 2019 (the “Merger Agreement”), by and among I.D. Systems, Inc., a Delaware corporation (“I.D. Systems”), the Company, Pointer Telocation Ltd., a private company limited by shares formed under the laws of the State of Israel (“Pointer”), PowerFleet Israel Ltd. (f/k/a Powerfleet Israel Holding Company Ltd.), a private company limited by shares formed under the laws of the State of Israel and a wholly-owned subsidiary of the Company (“PowerFleet Israel”), and Powerfleet Israel Acquisition Company Ltd., a private company limited by shares formed under the laws of the State of Israel and a wholly-owned subsidiary of PowerFleet Israel prior to the Transactions (“Pointer Merger Sub”), and (ii) the Investment and Transaction Agreement, dated as of March 13, 2019, as amended by Amendment No. 1 thereto dated as of May 16, 2019, Amendment No. 2 thereto dated as of June 27, 2019 Amendment No. 3 thereto dated as of October 3, 2019 and Amendment No. 4 thereto dated as of May 13, 2020 (the “Investment Agreement,” and together with the Merger Agreement, the “Agreements”), by and among I.D. Systems, the Company, PowerFleet US Acquisition Inc., a Delaware corporation and a wholly-owned subsidiary of the Company prior to the Transactions (“I.D. Systems Merger Sub”), and ABRY Senior Equity V, L.P., ABRY Senior Equity Co-Investment Fund V, L.P. and ABRY Investment Partnership, L.P. (the “Investors”), affiliates of ABRY Partners II, LLC. As a result of the transactions contemplated by the Agreements (the “Transactions”), I.D. Systems and PowerFleet Israel each became direct, wholly-owned subsidiaries of the Company and Pointer became an indirect, wholly-owned subsidiary of the Company. Prior to the Transactions, PowerFleet had no material assets, did not operate any business and did not conduct any activities, other than those incidental to its formation and matters contemplated by the Agreements. I.D. Systems was determined to be the accounting acquirer in the Transactions. As a result, the historical financial statements of I.D. Systems for the periods prior to the Transactions are considered to be the historical financial statements of PowerFleet and the results of Pointer have been included in the Company’s consolidated financial statements from the date of the Transactions.

The Company is a global leader and provider of subscription-based wireless Internet-of-Things (IoT) and machine-to-machine (M2M) solutions for securing, controlling, tracking, and managing high-value enterprise assets such as industrial trucks, trailers, containers, cargo, and light vehicles and heavy truck fleets.

I.D. Systems, Inc. was incorporated in the State of Delaware in 1993. PowerFleet, Inc. was incorporated in the State of Delaware in February 2019 for the purpose of effectuating the Transactions and commenced operations on October 3, 2019, upon the closing of the Transactions.

Impact of COVID-19

The global outbreak of a novel strain of coronavirus, COVID-19, and mitigation efforts by governments to attempt to control its spread, has resulted in significant economic disruption and continues to adversely impact the broader global economy. The extent of the impact on the Company’s business and financial results will depend largely on future developments that cannot be accurately predicted at this time, including the duration of the spread of the outbreak, the extent and effectiveness of containment actions and the impact of these and other factors on capital and financial markets and the related impact on the financial circumstances of our employees, customers and suppliers. As of the date of these audited consolidated financial statements, the full extent to which the COVID-19 pandemic may materially impact the Company’s business, results of operations and financial condition is uncertain.

Liquidity

As of December 31, 2020, the Company had cash and cash equivalents of \$18,127 and working capital of \$28,869. The Company’s primary sources of cash are cash flows from operating activities, its holdings of cash, cash equivalents and investments from the sale of its capital stock and borrowings under its credit facility. To date, the Company has not generated sufficient cash flows solely from operating activities to fund its operations.

In addition, PowerFleet Israel and Pointer are party to a Credit Agreement (the “Credit Agreement”) with Bank Hapoalim B.M. (“Hapoalim”), pursuant to which Hapoalim provided PowerFleet Israel with two senior secured term loan facilities in an aggregate principal amount of \$30,000 (comprised of two facilities in the aggregate principal amount of \$20,000 and \$10,000) and a five-year revolving credit facility to Pointer in an aggregate principal amount of \$10,000. The proceeds of the term loan facilities were used to finance a portion of the cash consideration payable in the Company’s acquisition of Pointer. The proceeds of the revolving credit facility may be used by Pointer for general corporate purposes. The Company has not borrowed under the revolving credit facility since its’ inception and does not have any borrowings as of December 31, 2020. See Note 12 for additional information.

The Company has on file a shelf registration statement on Form S-3 that was declared effective by the Securities and Exchange Commission (the “SEC”) on November 27, 2019. Pursuant to the shelf registration statement, the Company may offer to the public from time to time, in one or more offerings, up to \$60,000 of its common stock, preferred stock, warrants, debt securities, and units, or any combination of the foregoing, at prices and on terms to be determined at the time of any such offering. The specific terms of any future offering will be determined at the time of the offering and described in a prospectus supplement that will be filed with the SEC in connection with such offering.

On May 14, 2020, we entered into an equity distribution agreement for an “at-the-market offering” program (the “ATM Offering”) with Canaccord Genuity LLC, (“Canaccord”) as sales agent pursuant to which we issued and sold an aggregate of 809,846 shares of common stock for approximately \$4.2 million in gross proceeds. We terminated the equity distribution agreement effective as of August 14, 2020. See Note 14 for additional information regarding the ATM Offering.

On January 28, 2021 we entered into an underwriting agreement (the “Underwriting Agreement”) with Canaccord, pursuant to which the Company has agreed to issue sell to the underwriters 3,850,000 shares of the Company’s common stock, plus up to 577,500 shares of common stock pursuant to an option to purchase additional shares at a price to the public of \$6.50 per share (the “Offering”). The Offering closed on February 1, 2021 and the gross proceeds were approximately \$28.8 million, before deducting the underwriting discounts, commissions, and other estimated Offering expenses.

The Company believes that its available working capital, anticipated level of future revenues, expected cash flows from operations and available borrowings under its revolving credit facility with Hapoalim will provide sufficient funds to cover capital requirements through at least March 18, 2022.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[A] Principles of consolidation:

The consolidated financial statements include the accounts of PowerFleet Inc. and its subsidiaries (which, as noted above, are collectively referred to herein as the “Company”). All material intercompany balances and transactions have been eliminated in consolidation.

[B] Use of estimates:

The preparation of financial statements in conformity with 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 measurements of fair value of assets acquired and liabilities assumed, realization of deferred tax assets, the impairment of tangible and intangible assets, the assessment of the Company’s incremental borrowing rate used to determine its right-of-use asset and lease liability, deferred revenue and stock-based compensation costs. Actual results could differ from those estimates.

As of December 31, 2020, the impact of the outbreak of COVID-19 continues to unfold. As a result, many of our estimates and assumptions required increased judgment and carry a higher degree of variability and volatility. As events continue to evolve and additional information becomes available, our estimates may change materially in future periods.

[C] Cash and cash equivalents:

The Company considers all highly liquid debt instruments with an original maturity of three months or less when purchased to be cash equivalents unless they are legally or contractually restricted. The Company’s cash and cash equivalent balances exceed Federal Deposit Insurance Corporation (FDIC) and other local jurisdictional limits. Restricted cash at December 31, 2019 and 2020 consists of cash held in escrow for purchases from a vendor

[D] Accounts receivable:

Accounts receivable are recorded at the invoiced amount and do not bear interest. Amounts collected on trade accounts receivable are included in net cash provided by operating activities in the consolidated statements of cash flows. The Company maintains reserves against its accounts receivable for potential losses. Allowances for uncollectible accounts are estimated based on the Company’s periodic review of accounts receivable balances. In establishing the required allowance, management considers our customers’ financial condition, the amount of receivables in dispute, and the current receivables aging and current payment patterns. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Accounts receivable are net of an allowance for doubtful accounts in the amount of \$2,004 and \$2,364 in 2019 and 2020, respectively. The Company does not have any off-balance sheet credit exposure related to its customers.

[E] Revenue recognition:

The Company and its subsidiaries generate revenue from sales of systems and products and from customer SaaS and hosting infrastructure fees. Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring goods or providing services. Sales, value add, and other taxes the Company collects concurrently with revenue-producing activities are excluded from revenue. Incidental items that are immaterial in the context of the contract are recognized as expense. The expected costs associated with the Company's base warranties continue to be recognized as expense when the products are sold (see Note 13).

Revenue is recognized when performance obligations under the terms of a contract with our customer are satisfied. Product sales are recognized at a point in time when title transfers, when the products are shipped, or when control of the system is transferred to the customer, which usually is upon delivery of the system and when contractual performance obligations have been satisfied. For products which do not have stand-alone value to the customer separate from the SaaS services provided, the Company considers both hardware and SaaS services a bundled performance obligation. Under the applicable accounting guidance, all of the Company's billings for equipment and the related cost for these systems are deferred, recorded, and classified as a current and long-term liability and a current and long-term asset, respectively. The deferred revenue and cost are recognized over the service contract life, ranging from one to five years, beginning at the time that a customer acknowledges acceptance of the equipment and service.

The Company recognizes revenue for remotely hosted SaaS agreements and post-contract maintenance and support agreements beyond our standard warranties over the life of the contract. Revenue is recognized ratably over the service periods and the cost of providing these services is expensed as incurred. Amounts invoiced to customers which are not recognized as revenue are classified as deferred revenue and classified as short-term or long-term based upon the terms of future services to be delivered. Deferred revenue also includes prepayment of extended maintenance, hosting and support contracts.

The Company earns other service revenues from installation services, training and technical support services which are short-term in nature and revenue for these services are recognized at the time of performance when the service is provided.

The Company recognizes revenue on non-recurring engineering ("NRE") services over time, on an input-cost method performance basis, as determined by the relationship of actual labor and material costs incurred to date compared to the estimated total project costs. Estimates of total project costs are reviewed and revised during the term of the project. Revisions to project costs estimates, where applicable, are recorded in the period in which the facts that give rise to such changes become known. For the years ended December 31, 2018, 2019 and 2020, the Company recognized NRE revenue of \$-0-, \$3,823, and \$-0-, respectively

The Company also derives revenue from leasing arrangements. Such arrangements provide for monthly payments covering product or 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's contracts with customers may include multiple performance obligations. For such arrangements, the Company allocates revenue to each performance obligation based on its relative standalone selling price. The Company generally determines standalone selling prices based on observable prices charged to customers or adjusted market assessment or using expected cost-plus margin when one is available. Adjusted market assessment price is determined based on overall pricing objectives taking into consideration market conditions and entity specific factors.

The Company recognizes an asset for the incremental costs of obtaining the contract arising from the sales commissions to employees because the Company expects to recover those costs through future fees from the customers. The Company amortizes the asset over one to five years because the asset relates to the services transferred to the customer during the contract term of one to five years.

The Company does not disclose the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less and (ii) contracts for which the Company recognizes revenue at the amount to which the Company has the right to invoice for services performed.

[F] Deferred costs:

Deferred product costs consist of Powerfleet for Logistics equipment costs deferred in accordance with our revenue recognition policy. The Company evaluates the realizability of the carrying amount of the deferred contract costs. To the extent the carrying value of the deferred contract costs exceed the contract revenue, an impairment loss will be recognized.

[G] Inventory:

Inventories are stated at the lower of cost or net realizable value. Cost is determined using the “moving average” cost method or the first-in first-out (FIFO) method. Inventory consists of components, work in process and finished products

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

[H] Fixed assets and depreciation:

Fixed assets are recorded at cost, net of accumulated depreciation. Depreciation and amortization are recognized using the straight-line method over the estimated useful lives of the assets. The following table provides the range of estimated useful lives used for each asset type:

	Useful Life (years)
Computer software	3 - 5
Installed products	3 - 5
Computers and electronic equipment	3 - 10
Furniture and fixtures	5 - 7
Leasehold improvements.....	Shorter of useful life or lease term

[I] Long-lived assets:

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

[J] Business combinations:

Goodwill represents costs in excess of fair values assigned to the underlying net assets of acquired businesses. Goodwill and intangible assets deemed to have indefinite lives are not amortized and are tested for impairment on an annual basis and between annual tests whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets other than goodwill are amortized over their useful lives unless the lives are determined to be indefinite. Intangible assets are carried at cost, less accumulated amortization. Intangible assets consist of trademarks and trade name, patents, customer relationships and other intangible assets. Goodwill is tested at the reporting unit level, which is defined as an operating segment or one level below the operating segment. The Company operates in one operating segment which is its only reporting unit. The Company tests for an indication of goodwill impairment annually during the fourth quarter and when an indicator of impairment exists, by comparing the fair value of the reporting unit to its carrying value

In the evaluation of goodwill for impairment, the Company has the option to perform a qualitative assessment to determine whether further impairment testing is necessary or to perform a quantitative assessment by comparing the fair value of a reporting unit to its carrying amount, including goodwill. Under the qualitative assessment, an entity is not required to calculate the fair value of a reporting unit unless the entity determines that it is more likely than not that its fair value is less than its carrying amount. By eliminating “Step 2” from the goodwill impairment test, the quantitative analysis of goodwill will result in an impairment loss for the amount that the carrying value of the reporting unit exceeds its fair value which is limited to the total amount of goodwill allocated to the reporting unit. For the years ended December 31, 2018, 2019 and 2020, the Company performed a qualitative goodwill impairment test and did not incur an impairment charge.

The Company re-measures the fair value of the contingent consideration at each reporting period and any change in the fair value from either the passage of time or events occurring after the acquisition date, is recorded in earnings in the accompanying consolidated statement of operations. Actual results could differ from such estimates in future periods based on the re-measurement of the fair value. The contingent consideration was paid during 2019. There is no contingent consideration remaining as of December 31, 2020.

[K] Product warranties:

The Company typically provides a 1 – 3-year warranty on its products. Estimated future warranty costs are accrued in the period that the related revenue is recognized. These estimates are derived from historical data and trends of product reliability and costs of repairing and replacing defective products.

[L] Research and development:

Research and development costs are charged to expense as incurred and consists primarily of salaries and related expenses, supplies and contractor costs. Research and development costs were \$6,863, \$8,540 and \$10,597 in 2018, 2019 and 2020, respectively.

[M] Patent costs:

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

[N] Concentrations of credit risk:

Financial instruments that potentially subject the Company and its subsidiaries to concentrations of credit risk consist principally of cash and cash equivalents, trade receivables and trade payables

The Company’s cash and cash equivalents are invested primarily in deposits with major banks worldwide. Generally, these deposits may be redeemed upon demand and, therefore, bear low risk. Management believes that the financial institutions that hold the Company’s investments have a high credit rating.

For the year ended December 31, 2020, there were no customers who generated revenues greater than 10% of the Company’s consolidated total revenues or generated greater than 10% of the Company’s consolidated accounts receivable.

For the year ended December 31, 2019, one customer accounted for 20% of the Company’s revenue.

For the year ended December 31, 2018, two customers accounted for 18% and 10% of the Company’s revenue, respectively.

[O] Benefit plan:

The Company maintains a retirement plan under Section 401(k) of the Internal Revenue Code, which covers all eligible employees. All employees with U.S. source income are eligible to participate in the plan immediately upon employment. The Company did not make any contributions to the plan during the years ended December 31, 2018, 2019 and 2020.

[P] Severance pay:

The liability of the Company’s subsidiaries in Israel for severance pay is calculated pursuant to Israel’s Severance Pay Law 5273-1963 (the “Severance Law”) based on the most recent salary of the employees multiplied by the number of years of employment as of balance sheet date and are presented on an undiscounted basis (the “Shut Down Method”). Employees are entitled to one month’s salary for each year of employment, or a portion thereof. The liability for the Company and its subsidiaries in Israel is fully provided by monthly deposits with insurance policies and by accrual. The value of these policies is recorded as an asset in the Company’s balance sheet.

The deposited funds may be withdrawn only upon the fulfillment of the obligation pursuant to the Severance Law or labor agreements. The value of the deposited funds is based on the cash surrendered value of these policies, and includes profits or losses accumulated to balance sheet date.

Some of the Company’s employees are subject to Section 14 of the Severance Law and the General Approval of the Labor Minister dated June 30, 1998, issued in accordance to the said Section 14, mandating that upon termination of such employees’ employment, all the amounts accrued in their insurance policies shall be released to them. The severance pay liabilities and deposits covered by these plans are not reflected in the balance sheet as the severance pay risks have been irrevocably transferred to the severance funds.

[Q] Stock-based compensation:

The Company accounts for stock-based employee compensation for all share-based payments, including grants of stock options and restricted stock, as an operating expense based on their fair values on grant date. The Company recorded stock-based compensation expense of \$2,163, \$3,794 and \$4,142 for the years ended December 31, 2018, 2019 and 2020, respectively.

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

[R] Income taxes:

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

The Company recognizes uncertainty in income taxes in the financial statements using a recognition threshold and measurement attribute of a tax position taken or expected to be taken in a tax return. The Company applies the “more-likely-than-not” recognition threshold to all tax positions, commencing at the adoption date of the applicable accounting guidance, which resulted in no unrecognized tax benefits as of such date. Additionally, there have been no unrecognized tax benefits subsequent to adoption. The Company has opted to classify interest and penalties that would accrue according to the provisions of relevant tax law as selling, general, and administrative expenses and incomes taxes, respectively, in the consolidated statement of operations. For the years ended December 31, 2018, 2019 and 2020, interest and penalties were immaterial.

[S] Fair value of financial instruments:

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

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

The Company’s cash and cash equivalents and investments in securities are carried at fair value. The carrying value of financing receivables approximates fair value due to the interest rate implicit in the instruments approximating current market rates. The carrying value of accounts receivables, accounts payable and accrued liabilities and short term bank debt approximates their fair values due to the short period to maturity of these instruments. The fair value of the Company’s long term debt is based on observable relevant market information and future cash flows discounted at current rates, which are Level 2 measurements.

	<u>December 31, 2020</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>
Long term debt	\$ 28,478	\$ 28,478

[T] Advertising and marketing expense:

Advertising and marketing costs are expensed as incurred. Advertising and marketing expense for the years ended December 31, 2018, 2019 and 2020 amounted to \$996, \$1,228 and \$1,022, respectively.

[U] Foreign currency translation:

The Company's reporting currency is the U.S dollar (USD). For businesses where the majority of the revenues are generated in USD or linked to the USD and a substantial portion of the costs are incurred in USD, the Company's management believes that the USD is the primary currency of the economic environment and thus their functional currency. Due to the fact that Argentina has been determined to be highly inflationary, the financial statements of our subsidiary in Argentina have been remeasured as if its functional currency was the USD. The Company also has foreign operations where the functional currency is the local currency. For these operations, assets and liabilities are translated using the end-of-period exchange rates and revenues, expenses and cash flows are translated using average rates of exchange for the period. Equity is translated at the rate of exchange at the date of the equity transaction. Translation adjustments are recognized in stockholders' equity as a component of accumulated other comprehensive income (loss). Net translation gains from the translation of foreign currency financial of \$77, \$653 and \$134 at December 31, 2018, 2019 and 2020, respectively, which are included in comprehensive loss in the Consolidated Statement of Changes in Stockholders' Equity.

Foreign currency translation gains and losses related to operational expenses denominated in a currency other than the functional currency are included in determining net income or loss. Foreign currency translation gains (losses) for the years ended December 31, 2018, 2019 and 2020 of \$(214), \$(42) and \$148, respectively, are included in selling, general and administrative expenses in the Consolidated Statement of Operations. Foreign currency translation (losses) related to long-term debt of \$-0-, \$(425) and \$(2,137), respectively, for the years ended December 31, 2018, 2019 and 2020, are included in interest expense in the Consolidated Statement of Operations.

[V] Commitments and contingencies:

From time to time, the Company is involved in various litigation matters involving claims incidental to its business and acquisitions, including employment matters, acquisition related claims, patent infringement and contractual matters, among other issues. While the outcome of any such litigation matters cannot be predicted with certainty, management currently believes that the outcome of these proceedings, including the matters described below, either individually or in the aggregate, will not have a material adverse effect on its business, results of operations or financial condition. The Company records reserves related to legal matters when losses related to such litigation or contingencies are both probable and reasonably estimable.

[W] Recently issued accounting pronouncements:

In December 2019, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2019-12, Simplifying the Accounting for Income Taxes which removes certain exceptions related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period, the recognition of deferred tax liabilities for outside basis differences and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. The guidance is generally effective as of January 1, 2021, with early adoption permitted. The Company has not early adopted the new standard for 2020 and is evaluating the impact of the new guidance on our financial statements.

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments - Credit Losses (Topic 326) Measurement of Credit Losses on Financial Instruments," which amends the guidance on measuring credit losses on financial assets held at amortized cost. The amendment is intended to address the issue that the previous "incurred loss" methodology was restrictive for an entity's ability to record credit losses based on not yet meeting the "probable" threshold. The new language will require these assets to be valued at amortized cost presented at the net amount expected to be collected with a valuation provision. This updated standard is effective for fiscal years beginning after December 15, 2021. The Company is currently evaluating the impact of this ASU on the consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, "Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment," which simplifies how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. Step 2 measures a goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill. Under the amendments in ASU 2017-04, an entity should recognize an impairment charge for the amount by which the carrying amount of a reporting unit exceeds its fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. The updated guidance requires a prospective adoption. The adoption of this standard did not have an impact on the Company's consolidated financial statements.

[Y] Reclassifications:

Certain prior amounts have been reclassified to conform with the current year presentation for comparative purposes. These reclassifications had no effect on the previously reported results of operations.

NOTE 3 - ACQUISITIONS

Pointer Transactions

On October 3, 2019 (the “Closing Date”), in connection with the completion of the Transactions and pursuant to the terms of the Investment Agreement, I.D. Systems reorganized into a new holding company structure by merging I.D. Systems Merger Sub with and into I.D. Systems (the “I.D. Systems Merger”), with I.D. Systems surviving as a direct, wholly-owned subsidiary of PowerFleet. Also, on October 3, 2019, pursuant to the terms of the Merger Agreement, Pointer Merger Sub merged with and into Pointer (the “Pointer Merger”), with Pointer surviving as a direct, wholly-owned subsidiary of PowerFleet Israel and an indirect, wholly-owned subsidiary of PowerFleet. As a result of the Transactions, I.D. Systems and PowerFleet Israel each became direct, wholly-owned subsidiaries of PowerFleet and Pointer became an indirect, wholly-owned subsidiary of PowerFleet. In addition, as a result of the Transactions, PowerFleet became a publicly traded corporation and former I.D. Systems stockholders and former Pointer shareholders received common stock of PowerFleet. I.D. Systems common stock ceased trading on the Nasdaq Global Market and Pointer ordinary shares ceased trading on the Nasdaq Capital Market and the Tel Aviv Stock Exchange (“TASE”), following the close of trading on October 2, 2019 and at the effectiveness of the Pointer Merger on October 3, 2019, respectively, and PowerFleet common stock commenced trading on the Nasdaq Global Market on October 3, 2019 and on the TASE on October 6, 2019, in each case under the symbol “PWFL”.

At the effective time of the I.D. Systems Merger (the “I.D. Systems Merger Effective Time”), each share of I.D. Systems common stock outstanding immediately prior to such time (other than any I.D. Systems common stock owned by I.D. Systems immediately prior to the I.D. Systems Merger Effective Time) was converted automatically into the right to receive one share of PowerFleet common stock. At the effective time of the Pointer Merger (the “Pointer Merger Effective Time”), each Pointer ordinary share outstanding immediately prior to such time (other than Pointer ordinary shares owned, directly or indirectly, by I.D. Systems, PowerFleet or any of their subsidiaries or Pointer or any of its wholly-owned subsidiaries immediately prior to the Pointer Merger Effective Time) was cancelled in exchange for \$8.50 in cash, without interest (the “Cash Consideration”), and 1.272 shares of PowerFleet common stock (the “Stock Consideration,” and together with the Cash Consideration, the “Pointer Merger Consideration”).

I.D. Systems stock options and restricted stock awards that were outstanding immediately prior to the I.D. Systems Merger Effective Time were converted automatically into equivalent PowerFleet awards on the same terms and conditions applicable to such I.D. Systems stock options and restricted stock awards prior to the I.D. Systems Merger Effective Time.

At the Pointer Merger Effective Time, each award of options to purchase Pointer ordinary shares that was outstanding and unvested immediately prior to such time was cancelled and substituted with options to purchase shares of PowerFleet common stock under the 2018 Plan on the same material terms and conditions as were applicable to the corresponding option immediately prior to the Pointer Merger Effective Time, except that (i) the number of shares of PowerFleet common stock underlying such substituted option is equal to the product of (A) the number of Pointer ordinary shares underlying such option immediately prior to the Pointer Merger Effective Time multiplied by (B) 2.544, with any fractional shares rounded down to the nearest whole number of shares of PowerFleet common stock, and (ii) the per-share exercise price is equal to the quotient obtained by dividing (A) the exercise price per Pointer ordinary share subject to such option immediately prior to the Pointer Merger Effective Time by (B) 2.544 (rounded up to the nearest whole cent).

At the Pointer Merger Effective Time, each award of options to purchase Pointer ordinary shares that was outstanding and vested immediately prior to such time was cancelled in exchange for the right to receive the product of (i) the excess, if any, of (A) the Pointer Merger Consideration (allocated between the Cash Consideration and the Stock Consideration in the same proportion as for holders of Pointer ordinary shares), over (B) the exercise price per Pointer ordinary share subject to such option, multiplied by (ii) the total number of Pointer ordinary shares underlying such option. If the exercise price of a vested option was equal to or greater than the consideration payable in respect of a vested option, such option was cancelled without payment.

At the Pointer Merger Effective Time, each award of restricted stock units of Pointer (a “Pointer RSU”) that was outstanding and vested immediately prior to such time was cancelled in exchange for the right to receive the Pointer Merger Consideration (allocated between the Cash Consideration and the Stock Consideration in the same proportion as for holders of Pointer ordinary shares). Each Pointer RSU that was outstanding and unvested immediately prior to such time was cancelled and substituted with restricted stock units under the 2018 Plan representing the right to receive, on the same material terms and conditions as were applicable under such Pointer RSU immediately prior to the Pointer Merger Effective Time, that number of shares of PowerFleet common stock equal to the product of (i) the number of Pointer ordinary shares underlying such Pointer RSU immediately prior to the Pointer Merger Effective Time multiplied by (ii) 2.544, with any fractional shares rounded down to the nearest lower whole number of shares of PowerFleet common stock.

Total consideration for the Transactions of \$130,416 included (i) \$71,874 in cash paid at closing, (ii) 10,756 shares of PowerFleet common stock issued at closing with a fair value of \$58,081 and (iii) \$461 for share-based awards assumed.

The Cash Consideration was financed using (i) net proceeds of the issuance and sale by PowerFleet of 50 shares of Series A Preferred Stock to the Investors for an aggregate purchase price of \$50,000 pursuant to the terms of the Investment Agreement, and (ii) term loan borrowings by PowerFleet Israel on the Closing Date of \$30,000 under the Credit Agreement.

Pointer is a provider of telematics and mobile IoT solutions to the automotive, insurance and logistics (cargo, assets and containers) industries. Pointer’s cloud-based software-as-a-service (SaaS) platform extracts and captures data from an organization’s mobility points, including drivers, routes, points-of-interest, logistics network, vehicles, trailers, containers and cargo. The Transactions are expected to provide the Company with operational synergies and access to a broader base of customers.

The purchase method of accounting in accordance with ASC805, *Business Combinations*, was applied for the Transactions. This requires the total cost of an acquisition to be allocated to the tangible and identifiable intangible assets acquired and liabilities assumed based on their respective fair values at the date of acquisition with the excess cost accounted for as goodwill. Goodwill arising from the acquisition is attributable to expected product and sales synergies from combining the operations of the acquired business with those of the Company. I.D. Systems has been determined to be the accounting acquirer in the Transactions.

The following table summarizes the final purchase price allocation based on estimated fair values of the net assets acquired at the acquisition date:

Accounts receivable	\$ 19,701
Inventory	8,666
Other assets	32,073
Customer relationships.....	15,610
Trademark and tradename.....	6,096
Technology.....	10,911
Goodwill ^(a)	72,918
Less: Current liabilities assumed.....	(21,055)
Less: Non current liabilities assumed.....	<u>(14,504)</u>
Net assets acquired.....	<u>\$130,416</u>

(a) The goodwill is not deductible for tax purposes.

The results of operations of Pointer have been included in the consolidated statement of operations as of the effective date of the Transactions. The following revenue and operating income of Pointer are included in the Company’s consolidated results of operations for the year ended December 31, 2019:

Revenues	\$ 18,594
Operating loss.....	<u>\$ (1,665)</u>

CarrierWeb Acquisitions

On January 30, 2019, the Company completed the acquisition (the “CarrierWeb US Acquisition”) of substantially all of the assets of CarrierWeb, L.L.C. (“CarrierWeb”), an Atlanta-based provider of real-time in-cab mobile communications technology, electronic logging devices, two-way refrigerated command and control, and trailer tracking. Aggregate consideration for the CarrierWeb US Acquisition was \$3,500, consisting of (i) a closing cash payment of \$2,800 which consisted of cash of \$2,150 and a credit bid by the Company in the amount of the aggregate principal amount plus accrued and unpaid interest outstanding under a \$650 debtor-in-possession loan made by the Company to CarrierWeb on January 11, 2019, and (ii) a \$700 payment in April 2019, when CarrierWeb Services Ltd. (“CarrierWeb Ireland”) was restored to the Register of Companies in Ireland. The CarrierWeb US Acquisition was subject to the entry of a sale order by the United States Bankruptcy Court for the Northern District of Georgia approving such acquisition. The sale order was entered on January 28, 2019. In connection with the restoration of CarrierWeb Ireland to the Register of Companies in Ireland, the Company also made certain loans to CarrierWeb Ireland in the aggregate principal amount of \$300.

On July 30, 2019, the Company completed the acquisition (the “CarrierWeb Ireland Acquisition” and together with the CarrierWeb US Acquisition, the “CarrierWeb Acquisitions”) of substantially all of the assets of CarrierWeb Ireland, an affiliate of CarrierWeb, from e*freight Holding B.V., the owner of the outstanding equity of CarrierWeb Ireland. Consideration for the CarrierWeb Ireland Acquisition included (i) \$550 in cash paid at closing, and (ii) 127 shares of the Company’s common stock, less (1) 56 shares for the satisfaction of aggregate principal amount plus accrued and unpaid interest outstanding under \$300 loans, less (2) 44 shares held back with an estimated fair value of \$250, which were released in November 2019.

The assets the Company acquired in the CarrierWeb Acquisitions have been integrated into the Company's products. In connection with the CarrierWeb Acquisitions, the Company offered employment to all of the former employees of CarrierWeb and CarrierWeb Ireland. The CarrierWeb Acquisitions allow the Company to offer a full complement of highly-integrated logistics technology solutions to its current customers and prospects and immediately add customers and subscriber units. For the year ended December 31, 2019, the Company incurred acquisition-related expenses of approximately \$229, which are included in acquisition-related fees.

The purchase method of accounting in accordance with ASC805, *Business Combinations*, was applied for the CarrierWeb Acquisitions. This requires the total cost of an acquisition to be allocated to the tangible and identifiable intangible assets acquired and liabilities assumed based on their respective fair values at the date of acquisition with the excess cost accounted for as goodwill. Goodwill arising from the acquisition is attributable to expected product and sales synergies from combining the operations of the acquired business with those of the Company.

The following table summarizes the final purchase price allocation of CarrierWeb and CarrierWeb Ireland based on the fair values of the net assets acquired at the acquisition date:

Accounts receivable	\$	192
Inventory		200
Other assets		26
Customer relationships.....		531
Trademark and tradename.....		90
Patents.....		628
Goodwill ^(a)		3,108
Net assets acquired.....	\$	<u>4,775</u>

(a) The goodwill is fully deductible for tax purposes.

The results of operations from each of the CarrierWeb Acquisitions have been included in the consolidated statement of operations as of the effective date of each such acquisition. For the year ended December 31, 2019, the CarrierWeb Acquisitions contributed an aggregate of approximately \$3,809 to the Company's revenues. Operating income contributed by the CarrierWeb Acquisitions was not separately identifiable due to Company's integration activities and is impracticable to provide.

The following table represents the combined pro forma revenue and earnings for the year ended December 31, 2018 and 2019:

	Year Ended December 31, 2018 ^(b)		Year Ended December 31, 2019 ^(b)	
	Historical	Pro Forma Combined (Unaudited)	Historical	Pro Forma Combined (Unaudited)
Revenues.....	\$ 53,064	\$ 130,419	\$ 81,915	\$ 135,126
Operating (loss) income.....	(5,736)	69	(10,183)	(10,833)
Net loss per share - basic and diluted.....	\$ (0.34)	\$ (0.32)	\$ (0.59)	\$ (0.66)

(b) Includes pro forma results for the Transactions. Pro forma results for the CarrierWeb Acquisitions are impracticable to provide as the acquisition was a carve-out from a bankruptcy transaction.

The combined pro forma revenue and earnings for the years ended, 2018 and 2019 for the Transactions were prepared as though such transactions had occurred as of January 1, 2018 and January 1, 2019, respectively. The pro forma results do not include any anticipated cost synergies or other effects of the planned integration of Pointer. This summary is not necessarily indicative of what the results of operations would have been had the Transactions occurred during such period, nor does it purport to represent results of operations for any future periods.

NOTE 4 - REVENUE RECOGNITION

The following table presents the Company's revenues disaggregated by revenue source for the years ended December 31, 2018, 2019 and 2020.

	Year Ended December 31,		
	2018	2019	2020
Products	\$ 36,897	\$ 45,416	\$ 45,651
Services	<u>16,167</u>	<u>36,499</u>	<u>67,942</u>
	<u>\$ 53,064</u>	<u>\$ 81,915</u>	<u>\$ 113,593</u>

The balances of contract assets and contract liabilities from contracts with customers are as follows as of December 31, 2019 and 2020 are as follows:

	Year Ended December 31,	
	2019	2020
Assets:		
Deferred contract costs	\$ 2,196	\$ 2,157
Deferred costs	<u>\$ 8,530</u>	<u>\$ 5,361</u>
Liabilities:		
Deferred revenue- services ⁽¹⁾	\$ 6,397	\$ 6,578
Deferred revenue - products ⁽¹⁾	<u>10,932</u>	<u>6,767</u>
	17,329	13,345
Less: Deferred revenue and contract liabilities - current portion	<u>(8,536)</u>	<u>(7,339)</u>
Deferred revenue and contract liabilities - less current portion	<u>\$ 8,793</u>	<u>\$ 6,006</u>

(1) The Company record deferred revenues when cash payments are received or due in advance of the Company's performance. For the years ended December 31, 2019 and 2020, the Company recognized revenue of \$12,082 and \$10,242, respectively, that was included in the deferred revenue balance at the beginning of each reporting period. The Company expects to recognize as revenue before year 2025, when it transfers those goods and services and, therefore, satisfies its performance obligation to the customers.

NOTE 5 – PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other current assets consist of the following:

	Year Ended December 31,	
	2019	2020
Finance receivables, current	\$ 893	\$ 692
Prepaid expenses	3,221	2,979
Contract assets	1,335	767
Other current assets	<u>1,921</u>	<u>1,746</u>
	<u>\$ 7,370</u>	<u>\$ 6,184</u>

NOTE 6 - INVENTORIES

Inventories are stated at the lower of cost or net realizable value. Cost is determined using the “moving average” cost method or the first-in first-out (FIFO) method. Inventory consists of components, work in process and finished products. Inventories are shown net of valuation reserves of \$487 and \$515 at December 31, 2019 and 2020, respectively.

Inventories consist of the following:

	Year Ended December 31,	
	2019	2020
Components.....	\$ 8,183	\$ 7,697
Work in process.....	210	237
Finished goods, net.....	7,988	4,939
	<u>\$ 16,381</u>	<u>\$ 12,873</u>

NOTE 7 - FIXED ASSETS

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

	Year Ended December 31,	
	2019	2020
Installed products	\$ 3,180	\$ 4,174
Computer software	5,635	5,882
Computer and electronic equipment.....	6,231	5,273
Furniture and fixtures	1,364	1,828
Leasehold improvements.....	641	1,353
	17,051	18,510
Accumulated depreciation and amortization	(8,811)	(9,706)
	<u>\$ 8,240</u>	<u>\$ 8,804</u>

Depreciation and amortization expense for the years ended December 31, 2018, 2019 and 2020 was \$849, \$1,380 and \$3,097, respectively. This includes amortization of costs associated with computer software for the years ended December 31, 2018, 2019 and 2020 of \$528, \$528 and \$515, respectively.

NOTE 8 - INTANGIBLE ASSETS AND GOODWILL

The following table summarizes identifiable intangible assets of the Company as of December 31, 2020 and 2019:

<u>December 31, 2020</u>	Useful Lives (In Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortized:				
Customer relationships	9-12	\$ 19,264	\$ (2,732)	\$ 16,532
Trademark and tradename	3-15	7,553	(1,292)	6,261
Patents.....	7-11	2,117	(1,661)	456
Technology	7	10,911	(3,172)	7,739
Favorable contract interest.....	4	388	(331)	57
Covenant not to compete	5	208	(142)	66
		<u>40,441</u>	<u>(9,330)</u>	<u>31,111</u>
Unamortized:				
Customer List		104	-	104
Trademark and tradename		61	-	61
		<u>165</u>	<u>-</u>	<u>165</u>
Total.....		<u>\$ 40,606</u>	<u>\$ (9,330)</u>	<u>\$ 31,276</u>

December 31, 2019	Useful Lives (In Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortized:				
Customer relationships	9-12	\$ 19,299	\$ (1,108)	\$ 18,191
Trademark and tradename	3-15	7,553	(488)	7,065
Patents.....	7-11	2,117	(1,436)	681
Technology	7	10,911	(634)	10,277
Favorable contract interest.....	4	388	(234)	154
Covenant not to compete	5	208	(102)	106
		<u>40,476</u>	<u>(4,002)</u>	<u>36,474</u>
Unamortized:				
Customer List		104	-	104
Trademark and tradename		<u>61</u>	<u>-</u>	<u>61</u>
		<u>165</u>	<u>-</u>	<u>165</u>
Total.....		<u>\$ 40,641</u>	<u>\$ (4,002)</u>	<u>\$ 36,639</u>

COVID-19 continues to adversely impact the broader global economy and has caused significant volatility in financial markets. If there is a lack of recovery or further global softening in certain markets, or a sustained decline in the value of the Company's common stock, the Company may conclude that indicators of impairment exist and would then be required to calculate whether or not an impairment exists for its goodwill, other intangibles, and long-lived assets, the results of which could result in material impairment charges. The Company tests goodwill and other indefinite lives intangible assets on an annual basis in the fourth quarter and more frequently if the Company believes indicators of impairment exists. As of December 31, 2019, and 2020, the Company determined that no impairment existed to the goodwill, customer list and trademark and trade name of its acquired intangibles.

The Company also determined that the use of indefinite lives for the customer list and remaining trademark and trade name remains applicable at December 31, 2019 and 2020, as the Company expects to continue to derive future benefits from these intangible assets.

At December 31, 2020, the weighted-average amortization period for the intangible assets was 9.2 years. At December 31, 2020, the weighted-average amortization periods for customer relationships, trademarks and trade names, patents, technology, favorable contract interests and covenant not to compete were 11.9, 9.6, 9.8, 4.3, 4.0 and 5.0 years, respectively.

Amortization expense for the years ended December 31, 2018, 2019 and 2020 was \$712, \$1,967 and \$5,328, respectively. Estimated future amortization expense for each of the five succeeding fiscal years for these intangible assets is as follows:

Year ending December 31:	
2021	\$ 5,153
2022	5,080
2023	5,035
2024	2,622
2025	2,495
Thereafter	10,726
	<u>\$ 31,111</u>

The change in goodwill from January 1, 2019 to December 31, 2020 is as follows:

Balance as of January 1, 2019	\$ 7,318
CarrierWeb acquisition.....	3,108
Pointer acquisition.....	<u>78,642</u>
Balance as of December 31, 2019	89,068
Measurement period adjustment ^(a)	<u>(5,724)</u>
Balance as of December 31, 2020	<u>83,344</u>

- a) After considering all information related to the finalization of income taxes the Company reduced certain provisionally recorded deferred tax liabilities due to the new information with a corresponding decrease in the Pointer acquisition goodwill.

NOTE 9 - NET LOSS PER SHARE

<u>Basic and diluted loss per share</u>	December 31,		
	<u>2018</u>	<u>2019</u>	<u>2020</u>
Net loss attributable to common stockholders	\$ (5,812)	\$ (12,047)	\$ (13,606)
Weighted-average common share outstanding - basic and diluted	<u>17,233</u>	<u>20,476</u>	<u>29,703</u>
Net loss attributable to common stockholders - basic and diluted	<u>\$ (0.34)</u>	<u>\$ (0.59)</u>	<u>\$ (0.46)</u>

Basic loss per share is calculated by dividing net loss attributable to common shareholders by the weighted-average number of common shares outstanding during the period. Diluted loss per share reflects the potential dilution assuming common shares were issued upon the exercise of outstanding options and the proceeds thereof were used to purchase outstanding common shares. Dilutive potential common shares include outstanding stock options, warrants and restricted stock and performance share awards. We include participating securities (unvested share-based payment awards and equivalents that contain non-forfeitable rights to dividends or dividend equivalents) in the computation of EPS pursuant to the two-class method. Our participating securities consist solely of preferred stock, which have contractual participation rights equivalent to those of stockholders of unrestricted common stock. The two-class method of computing earnings per share is an allocation method that calculates earnings per share for common stock and participating securities. During periods of net loss, no effect is given to the participating securities because they do not share in the losses of the Company. For the years ended December 31, 2018, 2019 and 2020, the basic and diluted weighted-average shares outstanding are the same, since the effect from the potential exercise of outstanding stock options, conversion of preferred stock and vesting of restricted stock and restricted stock units totaling 1,788, 12,865 and 11,998, respectively, would have been anti-dilutive due to the loss.

NOTE 10 - STOCK-BASED COMPENSATION

In June 2018, I.D. Systems' stockholders approved the I.D. Systems, Inc. 2018 Incentive Plan (as amended the "2018 Plan") pursuant to which I.D. Systems may grant stock options, restricted stock and other equity-based awards with respect to up to an aggregate of 1,500 shares of I.D. Systems' common stock with a vesting period of approximately four to five years. Upon the adoption of the 2018 Plan, the I.D. Systems, Inc. 2009 Non-Employee Director Equity Compensation Plan and the I.D. Systems, Inc. 2015 Equity Compensation Plan were frozen, and no new awards can be issued pursuant to such plans. In connection with the completion of the Transactions, I.D. Systems assigned to PowerFleet and PowerFleet assumed all obligations of I.D. Systems pursuant to the 2018 Plan, which was amended to, among other things, increase the number of shares available for issuance thereunder by 3,000 shares to 4,500 and to rename the plan to the PowerFleet, Inc. 2018 Incentive Plan. There were 545 shares available for future issuance under the 2018 Plan as of December 31, 2020.

The 2018 Plan is 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.

In connection with the Company's acquisition of Pointer, the Company previously approved the grants of options to purchase 350,000 shares of the Company's common stock to Mr. Wolfe and options to purchase 150,000 shares of the Company's common stock to Mr. Mavrommatis on March 13, 2019 (the "Signing Bonus Options") and the grants of additional options to purchase 350,000 shares of the Company's common stock to Mr. Wolfe and additional options to purchase 150,000 shares of the Company's common stock to Mr. Mavrommatis on October 3, 2019 (the "Closing Bonus Options" and together with the Signing Bonus Options, the "Original Bonus Options"). The Original Bonus Options were subject to the terms of the Company's 2018 Incentive Plan (the "2018 Plan"), vested upon the attainment of adjusted EBITDA targets for the fiscal years ending December 31, 2020 and December 31, 2021 and became exercisable 180 days after vesting, subject to acceleration in the event of certain change of control transactions. The Signing Bonus Options had an exercise price of \$6.28 per share and the Closing Bonus Options had an exercise price of \$6.00 per share.

In response to the impact of COVID-19, the Board terminated and cancelled the Original Bonus Options and approved the following grants to replace the Original Bonus Options: (i) options to purchase 350,000 shares of the Company's common stock to Mr. Wolfe and options to purchase 150,000 shares of the Company's common stock to Mr. Mavrommatis (the "New Signing Options"), which options are subject to the terms of the 2018 Plan, have an exercise price of \$6.28 per share, and will vest and become exercisable in full on December 31, 2022 if the volume weighted average price of the Company's common stock during a consecutive 30 trading day period (the "30 Day VWAP") reaches \$12.00 at any point prior to December 31, 2022, and (ii) options to purchase 350,000 shares of the Company's common stock to Mr. Wolfe and options to purchase 150,000 shares of the Company's common stock to Mr. Mavrommatis (the "New Closing Options"), which options are subject to the terms of the 2018 Plan, have an exercise price of \$6.00 per share, and will vest and become exercisable immediately upon the Company achieving a 30 Day VWAP of \$10.00

In connection with Mr. David Mahlab's retirement from his role as the Chief Executive Officer International of the Company, the Company modified the vesting and exercise period of all unvested restricted stock, stock options and restricted stock units previously granted to Mr. Mahlab. Due to the modification of the terms of Mr. Mahlab's stock options, restricted stock and restricted stock units, the Company recognized additional stock based compensation expense of \$1,261 for the year ended December 31, 2019.

[A] Stock options:

A summary of the status of the Company's stock options as of December 31, 2018, 2019 and 2020 and changes during the years then ended, is presented below:

	2018		2019		2020	
	Number of Shares	Weighted-Average Exercise Price	Number of Shares	Weighted-Average Exercise Price	Number of Shares	Weighted-Average Exercise Price
Outstanding at beginning of year.....	1,290	\$ 5.33	1,220	\$ 5.37	4,078	\$ 5.79
Share-based payments assumed.....	-		127	4.35	-	
Granted	120	6.41	2,829	5.99	1,230	6.08
Exercised	(169)	5.73	(59)	3.79	(199)	4.72
Forfeited or expired	(21)	5.96	(39)	6.22	(1,485)	6.02
Outstanding at end of year.....	<u>1,220</u>	\$ 5.37	<u>4,078</u>	\$ 5.79	<u>3,624</u>	\$ 5.85
Exercisable at end of year.....	<u>695</u>	\$ 5.07	<u>847</u>	\$ 5.71	<u>1,247</u>	\$ 5.60

The following table summarizes information about stock options at December 31, 2020.

Exercise Prices (\$)	Options Outstanding			Options Exercisable	
	Number Outstanding	Weighted-Average Remaining Contractual Life in Years	Weighted-Average Exercise Price	Number Outstanding	Weighted-Average Exercise Price
2.33 - 3.63.....	16	3	\$ 2.33	16	\$ 2.33
3.64 - 4.93.....	276	6	4.64	168	4.63
4.94 - 6.23.....	2,767	8	5.89	1,063	5.81
6.24 - 7.54.....	<u>565</u>	9	6.33	-	0.00
	<u>3,624</u>	8	\$ 5.85	<u>1,247</u>	\$ 5.60

As of December 31, 2020

	Aggregate Intrinsic Value	Weighted - Average Remaining Contractual Life in Years
Options outstanding	\$ 6,055	8
Options exercisable	\$ 2,392	7

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:

	Year Ended December 31,		
	2018	2019	2020
Expected volatility	42.8%	42.1%	47.1%
Expected life of options	4.4 years	6.7 years	6.3 years
Risk free interest rate	2.72%	1.64%	0.93%
Dividend yield	0%	0%	0%
Weighted-average fair value of options granted during year.....	\$ 2.46	\$ 2.20	\$ 2.69

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 Company valued the New Signing Options and the New Closing Options market-based performance stock option awards using a Monte Carlo simulation model using a daily price forecast over ten years until expiration utilizing Geometric Brownian Motion that considers a variety of factors including, but not limited to, the Company's common stock price, risk-free rate (0.70%), and expected stock price volatility (47%) over the expected life of awards (6 years). The weighted average fair value of options granted during the period was \$1.27.

For the years ended December 31, 2018, 2019 and 2020, the Company recorded \$397, \$1,516 and \$1,587, respectively, of stock-based compensation expense in connection with the stock option grants.

The fair value of options vested during the years ended December 31, 2018, 2019 and 2020 was \$413, \$476 and \$1,974, respectively. The total intrinsic value of options exercised during the years ended December 31, 2018, 2019 and 2020 was \$162, \$119 and \$313, respectively.

As of December 31, 2020, there was \$3,823 of total unrecognized compensation costs related to non-vested options granted under the Company's stock option plans. That cost is expected to be recognized over a weighted-average period of 4.07 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.

[B] Restricted Stock Awards:

The Company grants restricted stock to employees, whereby the employees are contractually restricted from transferring the shares until they are vested. The stock is unvested at the time of grant and, upon vesting, there are no legal restrictions on the stock. The fair value of each share is based on the Company's closing stock price on the date of the grant. A summary of the non-vested shares for the years ended December 31, 2018, 2019 and 2020 is as follows:

	Number of Non-Vested Shares	Weighted - Average Grant Date Fair Value
Non-vested, at January 1, 2018	430	5.91
Granted	434	7.02
Vested	(266)	6.07
Forfeited	(30)	6.54
Non-vested, at December 31, 2018	568	6.65
Granted	625	5.82
Vested	(276)	6.40
Forfeited	(40)	5.88
Non-vested, at December 31, 2019	877	6.17
Granted	463	4.88
Vested	(389)	6.01
Forfeited	(145)	6.01
Non-vested, at December 31, 2020	806	5.54

For the years ended December 31, 2018, 2019 and 2020, the Company recorded \$1,803, \$2,061, and \$2,272 respectively, of stock-based compensation expense in connection with the restricted stock grants. As of December 31, 2020, there was \$2,975 of total unrecognized compensation cost related to non-vested shares. That cost is expected to be recognized over a weighted-average period of 1.96 years.

[C] Restricted Stock Units:

The Company also grants restricted stock units (RSUs) to employees. The following table summarizes the activity relating to the Company's restricted stock units for the years ended December 31, 2019 and 2020:

	Number of Restricted Stock Units	Weighted - Average Grant Date Fair Value
Pointer share-based payments assumed.....	260	\$ 5.60
Vested.....	(7)	5.60
Forfeited	-	
Restricted stock-units, non-vested December 31, 2019.....	<u>253</u>	<u>\$ 5.60</u>
Vested.....	(148)	5.60
Forfeited	<u>(30)</u>	<u>5.60</u>
Restricted stock-units, non-vested, December 31, 2020.....	<u>75</u>	<u>\$ 5.60</u>

For the years ended December 31, 2019 and 2020 the Company recorded \$217 and \$283 respectively, of stock-based compensation expense in connection with the RSUs. As of December 31, 2020, there was \$261 of total unrecognized compensation cost related to non-vested RSUs. That cost is expected to be recognized over a weighted-average period of 1.30 years.

[D] Performance Shares:

In January 2016, the Company granted 295,000 performance shares to employees pursuant to the 2015 Equity Compensation Plan. The shares are unvested at the time of grant and, upon vesting, there are no contractual restrictions on the shares. The vesting of the shares is subject to the achievement of performance goals during a two-year period from the date of issuance, with the ability to achieve prorated vesting of the shares during interim annual measurement periods. If the performance goals are not met, the performance shares will not vest and will automatically be returned to the plan. If the performance goals are met, then the shares will be issued to the employees.

The following table summarizes the activity relating to the Company's performance shares for the years ended December 31, 2018, 2019 and 2020:

	Number of Non-Vested Shares	Weighted - Average Grant Date Fair Value
Performance shares, non-vested, at January 1, 2018.....	111	4.07
Granted.....	-	-
Vested.....	(93)	4.07
Forfeited	<u>(18)</u>	<u>4.07</u>
Performance shares, non-vested, at December 31, 2018	-	-
Granted.....	-	-
Vested.....	-	-
Forfeited	-	-
Performance shares, non-vested, at December 31, 2019	-	-
Granted.....	-	-
Vested.....	-	-
Forfeited	-	-
Performance shares, non-vested, at December 31, 2020	<u>-</u>	<u>-</u>

For the years ended December 31, 2018, 2019 and 2020, the Company recorded \$(37), \$-0-, and \$-0- respectively, of stock-based compensation expense in connection with the performance shares.

NOTE 11 – SHORT-TERM BANK DEBT AND LONG-TERM DEBT

	Year Ended December 31,	
	2019	2020
Short-term bank debt bearing interest at 16% per annum ..	\$ 685	\$ 280
Current maturities of long-term debt	2,688	\$ 5,299
Convertible note payable	\$ 5,000	\$ -
Long term debt - less current maturities	\$ 26,515	\$ 23,179

Convertible notes payable

In connection with the Transactions, the Company issued and sold convertible unsecured promissory notes in the aggregate principal amount of \$5,000 to the Investors (as amended, the “Notes”). The Notes bore interest at 10% per annum, matured on March 31, 2021. The Notes were repaid on October 1, 2020.

Long term debt

In connection with the Transactions, PowerFleet Israel incurred \$30,000 in term loan borrowings on the Closing Date under the Credit Agreement, pursuant to which Hapoalim agreed to provide PowerFleet Israel with two senior secured term loan facilities in an aggregate principal amount of \$30,000 (comprised of two facilities in the aggregate principal amount of \$20,000 and \$10,000, respectively (the “Term A Facility” and “Term B Facility”, respectively, and collectively, the “Term Facilities”)) and a five-year revolving credit facility (the “Revolving Facility”) to Pointer in an aggregate principal amount of \$10,000 (collectively, the “Credit Facilities”). On the first anniversary of the Closing Date, the Company will be required to deposit in a separate restricted deposit account the Israeli shekel (“NIS”) equivalent of \$3,000. As of December 31, 2020, no amounts were outstanding under the revolving credit facility.

The Credit Facilities will mature on the date that is five years from the Closing Date. The indicative interest rate provided for the Term Facilities in the Credit Agreement is approximately 4.73% for the Term A Facility and 5.89% for the Term B Facility. The interest rate for the Revolving Facility is, with respect to NIS-denominated loans, Hapoalim’s prime rate + 2.5%, and with respect to US dollar-denominated loans, LIBOR + 4.6%. In addition, the Company pays a 1% commitment fee on the unutilized and uncanceled availability under the Revolving Facility. The Credit Facilities are secured by the shares held by PowerFleet Israel in Pointer and by Pointer over all of its assets. The Credit Agreement includes customary representations, warranties, affirmative covenants, negative covenants (including the following financial covenants, tested quarterly: Pointer’s net debt to EBITDA; Pointer’s net debt to working capital; minimum equity of PowerFleet Israel; PowerFleet Israel equity to total assets; PowerFleet Israel net debt to EBITDA; and Pointer EBITDA to current payments and events of default. The Company is in compliance with the covenants as of December 31, 2020.

The Company has been in discussions with Bank Hapoalim regarding an amendment to the Credit Agreement with respect to a reduction in the interest rates from approximately 4.73% for the Term A Facility and 5.89% for the Term B Facility to 3.65% for the Term A Facility and 4.5% for the Term B Facility as well as the elimination of the requirement to deposit in a separate restricted deposit account the Israeli shekel (“NIS”) equivalent of \$3,000. Although subject to the execution of a definitive amendment to the Credit Agreement, the Company has an agreement in principle with respect to these two provisions. In the interim, Bank Hapoalim has agreed to not require the \$3,000 escrow deposit and has agreed to reduce the interest rates to 3.65% for the Term A Facility and 4.5% for the Term B Facility effective November 2020.

In connection with the Credit Facilities, the Company incurred debt issuance costs of \$742. For the years ended December 31, 2019 and 2020, the Company recorded \$18 and \$31 respectively, of amortization of the debt issuance costs. The Company recorded charges of \$379 and \$1,451 to interest expense on its consolidated statements of operations for the years ended December 31, 2019 and 2020, related to interest expense and amortization of debt issuance costs associated with the Credit Facilities.

Scheduled maturities of the Term A and Term B facilities as of December 31, 2020 are as follows:

Year ending December 31:

2021	\$ 5,299
2022	5,782
2023	4,910
2024	12,487
	<u>28,478</u>
Less: Current Portion	5,299
Total	<u>\$ 23,179</u>

The Term B Facility is not subject to amortization over the life of the loan and instead the original principal amount is to be due in one installment on the fifth anniversary of the date of the consummation of the Transactions.

NOTE 12 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of the following:

	Year Ended December 31,	
	2019	2020
Accounts payable	\$ 15,400	\$ 9,877
Accrued warranty	632	705
Accrued compensation	5,517	5,581
Government authorities	2,172	3,047
Other current liabilities	310	1,015
	<u>\$ 24,031</u>	<u>\$ 20,225</u>

The Company's products are warranted against defects in materials and workmanship for a period of 1-3 years from the date of acceptance of the product by the customer. The customers may purchase an extended warranty providing coverage up to a maximum of 60 months. A provision for estimated future warranty costs is recorded for expected or historical warranty matters related to equipment shipped and is included in accounts payable and accrued expenses in the Consolidated Balance Sheets as of December 31, 2019 and 2020.

The following table summarizes warranty activity during the years ended December 31, 2019 and 2020:

	Year Ended December 31,	
	2019	2020
Accrued warranty reserve, beginning of year	\$ 422	\$ 742
Accrued warranties assumed	483	-
Accrual for product warranties issued	574	784
Product replacements and other warranty expenditures	(484)	(667)
Expiration of warranties	(253)	(52)
Accrued warranty reserve, end of period ^(a)	<u>\$ 742</u>	<u>\$ 807</u>

(a) Includes accrued warranty included in other long-term liabilities at December 31, 2019 and 2020 of \$110 and \$102, respectively.

NOTE 13 - LEASES

In February 2016, the FASB issued ASU 2016-02, which is effective for fiscal years beginning after December 15, 2018. The Company adopted ASU 2016-02 prospectively as of January 1, 2019, the date of initial application, and therefore prior comparative periods were not adjusted. As part of the adoption, the Company elected the "package of expedients", which permits the Company not to reassess under the new standard the Company's prior conclusions about lease identification and initial direct costs. The Company did not elect the use-of hindsight or the practical expedient pertaining to land easements, the latter not being applicable to the Company. The Company has lease arrangements which are classified as short-term in nature. The Company has elected the short-term lease recognition exemption for all leases that qualify. This means, for those leases that qualify, the Company will not recognize ROU assets or lease liabilities.

The Company determines whether an arrangement is a lease at inception. The Company has operating leases for office space and office equipment. The Company's leases have remaining lease terms of one year to seven years, some of which include options to extend the lease term for up to five years. The Company considered these options to extend in determining the lease term used to establish the Company's right-of use assets and lease liabilities once reasonably certain of exercise. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Right-of-use ("ROU") assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Operating lease ROU assets and operating lease liabilities are recognized at the lease commencement date based on the present value of the future lease payments over the lease term. The operating lease ROU asset also includes any lease payments made in advance of lease commencement and excludes lease incentives. The lease terms used in the calculations of the operating ROU assets and operating lease liabilities include options to extend or terminate the lease when the Company is reasonably certain that it will exercise those options. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

As the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments.

The Company has lease agreements with lease and non-lease components, which are generally not accounted for separately.

Components of lease expense are as follows:

	Year Ended December 31, 2019	Year Ended December 31, 2020
Short term lease cost:	\$ 1,144	\$ 584

Supplemental cash flow information and non-cash activity related to the Company's operating leases are as follows:

	Year Ended December 31, 2019	Year Ended December 31, 2020
Non-cash activity:		
Right-of-use assets obtained in exchange for lease obligations	\$ 5,689	\$ 4,822

Weighted-average remaining lease term and discount rate for the Company's operating leases are as follows:

	December 31, 2020
Weighted-average remaining lease term (in years)	3.5
Weighted-average discount rate	3.9%

Scheduled maturities of operating lease liabilities outstanding as of December 31, 2020 are as follows:

Year ending December 31:	
2021.....	\$ 2,647
2022.....	2,266
2023.....	1,898
2024.....	1,483
2025.....	1,496
Thereafter.....	<u>1,337</u>
Total lease payments	11,127
Less: Imputed interest	<u>(1,322)</u>
Present value of lease liabilities	<u>\$ 9,805</u>

NOTE 14 - STOCKHOLDERS' EQUITY

[A] ATM Offering:

On May 14, 2020, we entered into an equity distribution agreement (the "Sales Agreement") with Canaccord, pursuant to which we could offer and sell, from time to time through an "at-the-market offering" program, with Canaccord as sales agent, shares of our common stock having an aggregate offering price of up to \$25,000. The Sales Agreement provided for the Company to pay Canaccord a commission of 3.0% of the aggregate gross proceeds from each sale of common stock occurring pursuant to the Sales Agreement. The offer and sale of common stock in the ATM Offering were made pursuant to the Company's shelf registration statement on Form S-3 that was declared effective by the SEC on November 27, 2019, the base prospectus contained therein dated November 27, 2019, and a prospectus supplement related to the ATM Offering dated May 14, 2020. The Company sold 810 shares of common stock through Canaccord under the Sales Agreement, received net proceeds from such sales of \$4,000, and paid Canaccord \$125 in commissions with respect to sales of common stock under the Sales Agreement. The Sales Agreement was terminated effective as of August 14, 2020.

[B]

Redeemable Preferred stock:

The Company is authorized to issue 150 shares of preferred stock, par value \$0.01 per share of which 100 shares are designated Series A Preferred Stock and 45 shares are undesignated.

Series A Preferred Stock

In connection with the completion of the Transactions, on October 3, 2019, the Company issued 50 shares of Series A Preferred Stock. During 2019 the Company issued an additional share as payment for the earned dividends.

Liquidation

The Series A Preferred Stock has a liquidation preference equal to the greater of (i) the original issuance price of \$1,000.00 per share, subject to certain adjustments (the "Series A Issue Price"), plus all accrued and unpaid dividends thereon (except in the case of a deemed liquidation event, then 150% of such amount) and (ii) the amount such holder would have received if the Series A Preferred Stock had converted into common stock immediately prior to such liquidation.

Dividends

Holders of Series A Preferred Stock are entitled to receive cumulative dividends at a minimum rate of 7.5% per annum (calculated on the basis of the Series A Issue Price), quarterly in arrears. The dividends are payable at the Company's election, in kind, through the issuance of additional shares of Series A Preferred Stock, or in cash, provided no dividend payment failure has occurred and is continuing and that there has not previously occurred two or more dividend payment failures. Commencing on the 66-month anniversary of the date on which any shares of Series A Preferred Stock are first issued (the "Original Issuance Date"), and on each monthly anniversary thereafter, the dividend rate will increase by 100 basis points, until the dividend rate reaches 17.5% per annum, subject to the Company's right to defer the increase for up to three consecutive months on terms set forth in the Charter. During the years ended December 31, 2019 and December 31, 2020, the Company issued dividends in the amounts of 1 and 4 shares respectively, to the holders of the Series A Preferred Stock. As of December 31, 2019, and December 31, 2020, dividends in arrears were \$-0- and \$-0- respectively.

Voting; Consent Rights

The holders of Series A Preferred Stock will be given notice by the Company of any meeting of stockholders or action to be taken by written consent in lieu of a meeting of stockholders as to which the holders of common stock are given notice at the same time as provided in, and in accordance with, the Company's Amended and Restated Bylaws. Except as required by applicable law or as otherwise specifically set forth in the Charter, the holders of Series A Preferred Stock are not entitled to vote on any matter presented to the Company's stockholders unless and until any holder of Series A Preferred Stock provides written notification to the Company that such holder is electing, on behalf of all holders of Series A Preferred Stock, to activate their voting rights and in doing so rendering the Series A Preferred Stock voting capital stock of the Company (such notice, a "Series A Voting Activation Notice"). From and after the delivery of a Series A Voting Activation Notice, all holders of the Series A Preferred Stock will be entitled to vote with the holders of common stock as a single class on an as-converted basis (provided, however, that any holder of Series A Preferred Stock shall not be entitled to cast votes for the number of shares of common stock issuable upon conversion of such shares of Series A Preferred Stock held by such holder that exceeds the quotient of (1) the aggregate Series A Issue Price for such shares of Series A Preferred Stock divided by (2) \$5.57 (subject to adjustment for stock splits, stock dividends, combinations, reclassifications and similar events, as applicable)). So long as shares of Series A Preferred Stock are outstanding and convertible into shares of common stock that represent at least 10% of the voting power of the common stock, or the Investors or their affiliates continue to hold at least 33% of the aggregate amount of Series A Preferred Stock issued to the Investors on the Original Issuance Date, the consent of the holders of at least a majority of the outstanding shares of Series A Preferred Stock will be necessary for the Company to, among other things, (i) liquidate the Company or any operating subsidiary or effect any deemed liquidation event (as such term is defined in the Charter), except for a deemed liquidation event in which the holders of Series A Preferred Stock receive an amount in cash not less than the Redemption Price (as defined below), (ii) amend the Company's organizational documents in a manner that adversely affects the Series A Preferred Stock, (iii) issue any securities that are senior to, or equal in priority with, the Series A Preferred Stock or issue additional shares of Series A Preferred Stock to any person other than the Investors or their affiliates, (iv) incur indebtedness above the agreed-

upon threshold, (v) change the size of the Company’s board of directors to a number other than seven, or (vi) enter into certain affiliated arrangements or transactions.

Redemption

At any time, each holder of Series A Preferred Stock may elect to convert each share of such holder’s then-outstanding Series A Preferred Stock into the number of shares of the Company’s common stock equal to the quotient of (x) the Series A Issue Price, plus any accrued and unpaid dividends, divided by (y) the Series A Conversion Price in effect at the time of conversion. The Series A Conversion Price is initially equal to \$7.319, subject to certain adjustments as set forth in the Charter.

At any time after the third anniversary of the Original Issuance Date, subject to certain conditions, the Company may redeem the Series A Preferred Stock for an amount per share, equal to the greater of (i) the product of (x) 1.5 multiplied by (y) the sum of the Series A Issue Price, plus all accrued and unpaid dividends and (ii) the product of (x) the number of shares of common stock issuable upon conversion of such Series A Preferred Stock multiplied by (y) the volume weighted average price of the common stock during the 30 consecutive trading day period ending on the trading date immediately prior to the date of such redemption notice or, if calculated in connection with a Deemed Liquidation Event, the value ascribed to a share of common stock in such Deemed Liquidation Event (the “Redemption Price”).

At any time after (i) the 66-month anniversary of the Original Issuance Date, (ii) following delivery of a Mandatory Conversion Notice, or (iii) upon a Deemed Liquidation Event holders of the Series A Preferred Stock may elect to require us to redeem all or any portion of the outstanding shares of Series A Preferred Stock for an amount per share equal to the Redemption Price.

NOTE 15 - ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Comprehensive income (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 income (loss) are as follows:

	Foreign currency translation adjustment	Unrealized gain (losses) on investments	Accumulated other comprehensive income
Balance at January 1, 2018.....	\$ (465)	\$ (113)	\$ (578)
Net current period change	<u>77</u>	<u>66</u>	<u>143</u>
Balance at December 31, 2018.....	(388)	(47)	(435)
Net current period change	<u>653</u>	<u>47</u>	<u>700</u>
Balance at December 31, 2019.....	265	-	265
Net current period change	<u>134</u>	<u>-</u>	<u>134</u>
Balance at December 31, 2020.....	<u>\$ 399</u>	<u>\$ -</u>	<u>\$ 399</u>

NOTE 16 – SEGMENT INFORMATION

The Company operates in one reportable segment, wireless IoT asset management. The following table summarizes revenues on a percentage basis by geographic region.

	Year Ended December 31,		
	2018	2019	2020
United States.....	\$ 51,608	\$ 60,544	\$ 46,047
Israel.....	-	9,650	38,719
Other.....	1,456	11,721	28,827
	<u>\$ 53,064</u>	<u>\$ 81,915</u>	<u>\$ 113,593</u>

	Year Ended December 31,		
	2018	2019	2020
Long lived assets by geographic region:			
United States.....	\$ 2,149	\$ 1,931	\$ 1,425
Israel.....	-	2,285	3,282
Other.....	-	4,024	4,097
	<u>\$ 2,149</u>	<u>\$ 8,240</u>	<u>\$ 8,804</u>

NOTE 17 - INCOME TAXES

Loss before income taxes consists of the following:

	Year Ended December 31,		
	2018	2019	2020
U.S. operations.....	\$ (5,066)	\$ (10,888)	\$ (15,492)
Foreign operations.....	(746)	(168)	7,520
	<u>\$ (5,812)</u>	<u>\$ (11,056)</u>	<u>\$ (7,972)</u>

The provision for income taxes consist of the following:

	Year Ended December 31,		
	2018	2019	2020
Current:			
Federal.....	\$ -	\$ -	\$ -
State.....	-	119	45
Foreign.....	-	(44)	54
	<u>-</u>	<u>75</u>	<u>99</u>
Deferred:			
Federal.....	-	-	-
State.....	-	-	-
Foreign.....	-	-	939
	<u>-</u>	<u>-</u>	<u>939</u>
Total provision for income taxes.....	<u>\$ -</u>	<u>\$ 75</u>	<u>\$ 1,038</u>

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

	Year Ended December 31,		
	2018	2019	2020
Income tax benefit at the federal statutory rate.....	\$ (1,221)	\$ (2,317)	\$ (1,674)
State and local income taxes, net of federal taxes.....	(800)	(213)	(421)
Increase (decrease) in valuation allowance.....	(1,861)	402	2,595
Remeasurement of deferred tax assets.....	-	1,032	(48)
Incentive stock options/forfeitures.....	(22)	-	-
Permanent differences and other.....	182	1066	1,146
Other.....	-	(45)	(560)
	<u>\$ -</u>	<u>\$ (75)</u>	<u>\$ 1,038</u>

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2019 and 2020 are presented below:

	Year Ended December 31,	
	2019	2020
Deferred tax assets:		
Net operating loss carryforwards.....	\$ 35,871	\$ 32,843
Capital loss carryforwards.....	10,292	11,025
Deferred revenue.....	1,167	1,775
Stock-based compensation.....	534	886
Federal research and development tax credits.....	1,058	1,058
Intangibles, amortization.....	-	1,718
Inventories.....	124	65
Bad debt reserve.....	-	98
Other deductible temporary differences.....	778	3,456
	<u>49,824</u>	<u>52,924</u>
Total gross deferred tax assets.....		
Less: valuation allowance.....	(42,117)	(46,070)
	<u>7,707</u>	<u>6,854</u>
Deferred tax liabilities:		
Goodwill amortization.....	(11,276)	(5,151)
Fixed assets, depreciation.....	(222)	(197)
	<u>(11,498)</u>	<u>(5,348)</u>
Net deferred tax (liabilities)/assets.....	<u>\$ (3,791)</u>	<u>\$ 1,506</u>

A reconciliation of the beginning and ending amount of unrecognized tax positions is as follows:

	Year Ended December 31,	
	2019	2020
Balance at the beginning of the year.....	\$ 271	\$ 390
Pointer uncertain tax positions assumed.....	112	-
Additions based on tax provisions taken related to current year.....	7	33
Balance at the end of year.....	<u>\$ 390</u>	<u>\$ 423</u>

The unrecognized tax benefits, if recognized, would reduce the Company's annual effective tax rate. The Company does not expect any significant changes to its unrecognized tax positions during the next twelve months.

At December 31, 2020, the Company had an aggregate net operating loss carryforward of approximately \$85,612 for U.S. federal income tax purposes. At December 31, 2020, the Company had an aggregate net operating loss carryforward of approximately \$148,267 for state income tax purposes and a foreign net operating loss carryforward of approximately \$50,266. Substantially all of the net operating loss carryforwards expire from 2021 through 2037 for pre-2018 federal net operating loss carryforwards and from 2020 through 2038 for state purposes. The net operating loss carryforwards may be limited to use in any particular year based on Internal Revenue Code ("IRC") Section 382 related to change of ownership restrictions. Section 382 of the IRC imposes an annual limitation on the utilization of NOL carryforwards based on long-term bond rates and the value of the corporation at the time of a change in ownership as defined by Section 382 of the IRC. In 2019, the Company incurred a change in ownership under Section 382 of the IRC and this change of ownership is not expected to materially impact the Company's ability to utilize its net operating loss carryforward amounts in the future. In addition, future stock issuances may subject the Company to further limitations on the utilization of its net operating loss carryforwards under the same Internal Revenue Code provision.

At December 31, 2020, the Company has New Jersey net operating loss carryforwards ("NJ NOLs") included above in the approximate amount of \$45,050 expiring through 2039, which are available to reduce future earnings which would otherwise be subject to state income tax.

The Company is asserting permanent reinvestment of all accumulated undistributed earnings of its foreign subsidiaries as of December 31, 2020 in excess of annual debt service costs requirements.

On March 27, 2020, the President of the United States signed the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") into law providing certain relief as a result of the COVID-19 pandemic. The CARES Act, among other things, includes provisions relating to net operating loss carryback periods, alternative minimum tax credit refunds, modification to the net interest deduction limitations and technical corrections to tax depreciation methods for qualified improvement property. The CARES Act does not have a material impact on the Company's consolidated financial statements.

For the year ended December 31, 2020, the Company's valuation allowance increased to \$46,070 compared to \$42,117 as of December 31, 2019 primarily due to the increase in the capital loss carryforward and NOL's. The Company has provided a valuation allowance against the full amount of its domestic deferred tax assets and the majority of the foreign deferred tax assets. The valuation allowance was established because of the uncertainty of realization of the deferred tax assets due to lack of sufficient history of generating taxable income. Realization is dependent upon generating sufficient taxable income prior to the expiration of the net operating loss carryforwards in future periods. The valuation allowance increased in 2019 and 2020 by \$14,549, and \$3,953 respectively.

Audits for federal income tax returns are closed for the years through 2015. However, the Internal Revenue Service ("IRS") can audit the NOL's generated during those years in the years that the NOL's are utilized. State income tax returns are generally subject to examination for a period of three to six years after the filing of the respective tax return. The state impact of any federal changes remains subject to examination by various states for a period of up to one year after formal notification to the states. Foreign income tax returns are generally subject to examination based on the tax laws of the respective jurisdictions.

NOTE 18 - COMMITMENTS AND CONTINGENCIES

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

[A] Contingencies:

From time to time, the Company is involved in various litigation matters involving claims incidental to its business and acquisitions, including employment matters, acquisition related claims, patent infringement and contractual matters, among other issues. While the outcome of any such litigation matters cannot be predicted with certainty, management currently believes that the outcome of these proceedings, including the matters described below, either individually or in the aggregate, will not have a material adverse effect on its business, results of operations or financial condition. The Company records reserves related to legal matters when losses related to such litigation or contingencies are both probable and reasonably estimable.

In August 2014, Pointer do Brasil Comercial Ltda. (“Pointer Brazil”) received a tax deficiency notice alleging that it had not paid an aggregate of \$200 in VAT tax (Brazilian ICMS tax) plus \$1,446 in interest and penalties as of December 31, 2020. The Company is vigorously defending this tax assessment before the administrative court. The potential timeframe for such litigation is 14 years. Where it is determined, in consultation with counsel based on litigation and settlement risks, that a loss is probable and estimable, the Company establishes an accrual. An estimate of the reasonably possible loss or range of loss cannot be made at this time due to various factors including the time frame for the litigation and a possible appeal before the judicial court for a substantial reduction of interest and penalties in case of loss before Administrative Court.

In July 2015, Pointer Brazil received a tax deficiency notice alleging that the services provided by Pointer Brazil should be classified as “telecommunication services” and therefore Pointer Brazil should be subject to the state value-added tax. The aggregate amount claimed to be owed under the notice was approximately \$10,680 as of December 31, 2020. On August 14, 2018, the lower chamber of the State Tax Administrative Court in São Paulo rendered a decision that was favorable to Pointer Brazil in relation to the ICMS demands, but adverse in regards to the clerical obligation of keeping in good order a set of ICMS books and related tax receipts. The remaining claim after this administrative decision is \$182. The state has the opportunity to appeal to the higher chamber of the State Tax Administrative Court. The Company’s legal counsel is of the opinion that it is probable that the Company will prevail, and that no material costs will arise in respect to these claims. For this reason, the Company has not made any provision

NOTE 19 – SUBSEQUENT EVENTS

On February 1, 2021, the Company closed an underwritten public offering (the “Underwritten Public Offering”) of 4,427,500 shares of common stock (which includes the full exercise of the underwriters’ over-allotment option) for gross proceeds of approximately \$28.8 million, before deducting the underwriting discounts and commissions and other estimated offering expenses.

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

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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

As of December 31, 2020, we carried out an evaluation, with the participation of our management, including our principal executive officer and our principal financial officer, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on that evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective, at the reasonable assurance level, in ensuring that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms and is accumulated and communicated to our management, including our principal executive officer and our principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness, as of December 31, 2020, of our internal control over financial reporting based on the framework in 2013 Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under this framework, our management concluded that our internal control over financial reporting was effective as of December 31, 2020.

Changes in Internal Control over Financial Reporting

There was no change in our system of internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) during the quarter ended December 31, 2020 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

PART III.

Item 10. Directors, Executive Officers and Corporate Governance

The Company incorporates by reference herein information to be set forth in its definitive proxy statement for its 2021 annual meeting of stockholders that is responsive to the information required with respect to this Item 10; provided, however, that such information shall not be incorporated herein:

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

Item 11. Executive Compensation

The Company incorporates by reference herein information to be set forth in its definitive proxy statement for its 2021 annual meeting of stockholders that is responsive to the information required with respect to this Item 11; provided, however, that such information shall not be incorporated herein:

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

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

The Company incorporates by reference herein information to be set forth in its definitive proxy statement for its 2021 annual meeting of stockholders that is responsive to the information required with respect to this Item 12; provided, however, that such information shall not be incorporated herein:

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

Securities Authorized for Issuance Under Equity Compensation Plans.

The following table provides certain information with respect to the Company's equity compensation plans in effect as of December 31, 2020:

EQUITY COMPENSATION PLAN INFORMATION

<u>Plan Category</u>	<u>Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)</u>	<u>Weighted-average exercise price of outstanding option, warrants and rights (b)</u>	<u>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected under (a)) (c)</u>
Equity compensation plans approved by security holders ⁽¹⁾	<u>3,624,000</u>	<u>\$ 5.85</u>	<u>545,000</u>
Total.....	<u>3,624,000</u>	<u>\$ 5.85</u>	<u>545,000</u>

- (1) These plans consist of the PowerFleet, Inc. 2018 Incentive Plan, the 2015 Equity Compensation Plan, the 2009 Non-Employee Director Equity Compensation Plan which were our only equity compensation plans under which awards were outstanding as of December 31, 2020.

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

The Company incorporates by reference herein information to be set forth in its definitive proxy statement for its 2021 annual meeting of stockholders that is responsive to the information required with respect to this Item 13; provided, however, that such information shall not be incorporated herein:

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

Item 14. Principal Accounting Fees and Services

The Company incorporates by reference herein information to be set forth in its definitive proxy statement for its 2021 annual meeting of stockholders that is responsive to the information required with respect to this Item 14; provided, however, that such information shall not be incorporated herein:

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

PART IV.

Item 15. Exhibits, Financial Statement Schedules

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

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

	<u>Page</u>
Report of Independent Registered Public Accounting Firm	45 – 47
Consolidated Balance Sheets at December 31, 2019 and 2020	48
Consolidated Statements of Operations for the Years Ended December 31, 2018, 2019 and 2020	49
Consolidated Statements of Comprehensive Loss for the Years Ended December 31, 2018, 2019 and 2020 .	50
Consolidated Statements of Changes in Stockholders' Equity for the Years Ended December 31, 2018, 2019 and 2020	51
Consolidated Statements of Cash Flows for the Years Ended December 31, 2018, 2019 and 2020	52
Notes to the Consolidated Financial Statements	53

(2) Financial Statement Schedule.

None.

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

- 2.1 [Agreement and Plan of Merger, dated as of March 13, 2019, by and among PowerFleet, Inc., Powerfleet Israel Holding Company Ltd., Powerfleet Israel Acquisition Company Ltd., I.D. Systems, Inc. and Pointer Telocation Ltd. \(incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K of I.D. Systems, Inc., filed with the SEC on March 15, 2019\).](#)†
- 2.2.1 [Investment and Transaction Agreement, dated as of March 13, 2019, by and among I.D. Systems, Inc., PowerFleet, Inc., PowerFleet US Acquisition Inc., ABRY Senior Equity V, L.P. and ABRY Senior Equity Co-Investment Fund V, L.P. \(incorporated by reference to Exhibit 2.2 to the Current Report on Form 8-K of I.D. Systems, Inc., filed with the SEC on March 15, 2019\).](#)†
- 2.2.2 [Amendment No. 1 to the Investment and Transaction Agreement, dated as of May 16, 2019, by and among I.D. Systems, Inc., PowerFleet, Inc., PowerFleet US Acquisition Inc., ABRY Senior Equity V, L.P. and ABRY Senior Equity Co-Investment Fund V, L.P. \(incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K of I.D. Systems, Inc., filed with the SEC on May 20, 2019\).](#)†
- 2.2.3 [Amendment No. 2 to the Investment and Transaction Agreement, dated as of June 27, 2019, by and among I.D. Systems, Inc., PowerFleet, Inc., PowerFleet US Acquisition Inc., ABRY Senior Equity V, L.P. and ABRY Senior Equity Co-Investment Fund V, L.P. \(incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K of I.D. Systems, Inc., filed with the SEC on June 27, 2019\).](#)†
- 2.2.4 [Amendment No. 3 to the Investment and Transaction Agreement, dated as of October 3, 2019, by and among I.D. Systems, Inc., PowerFleet, Inc., PowerFleet US Acquisition Inc., ABRY Senior Equity V, L.P., ABRY Senior Equity Co-Investment Fund V, L.P. and ABRY Investment Partnership, L.P. \(incorporated by reference to Exhibit 2.5 to the Current Report on Form 8-K12B of PowerFleet, Inc., filed with the SEC on October 3, 2019\).](#)†
- 2.2.5 [Amendment No. 4 to the Investment and Transaction Agreement, dated as of May 13, 2020, by and among PowerFleet, Inc., I.D. Systems Inc., ABRY Senior Equity V, L.P., ABRY Senior Equity Co-Investment Fund V, L.P. and ARBY Investment Partnership, L.P. \(incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K of I.D. Systems, Inc., filed with the SEC on May 14, 2020\).](#)
- 2.3.1 [Asset Purchase Agreement, dated July 11, 2017, by and among I.D. Systems, Inc., Keytroller, LLC, a Delaware limited liability company, Keytroller, LLC, a Florida limited liability company, and the individuals listed on the signature page thereto \(incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K of I.D. Systems, Inc., filed with the SEC on July 12, 2017\).](#)†

- 2.3.2 [Amendment No. 1 to Asset Purchase Agreement, effective as of August 1, 2018, by and among I.D. Systems, Inc., Keytroller, LLC, a Delaware limited liability company, Sparkey, LLC, a Florida limited liability company, and the individuals listed on the signature page thereto \(incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K of I.D. Systems, Inc., filed with the SEC on September 19, 2018\).](#)
- 3.1 [Amended and Restated Certificate of Incorporation of PowerFleet, Inc. \(incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K12B of PowerFleet, Inc., filed with the SEC on October 3, 2019\).](#)
- 3.2 [Amended and Restated Bylaws of PowerFleet, Inc. \(incorporated by reference to Exhibit 3.2 to the Current Report on Form 8-K12B of PowerFleet, Inc., filed with the SEC on October 3, 2019\).](#)
- 4.1 [Specimen PowerFleet, Inc. Common Stock Certificate \(incorporated by reference to Exhibit 4.1 to Amendment No. 2 to the Registration Statement on Form S-4 of PowerFleet, Inc., filed with the SEC on July 23, 2019\).](#)
- 4.2 [Specimen PowerFleet, Inc. Series A Convertible Preferred Stock Certificate \(incorporated by reference to Exhibit 4.2 to Amendment No. 2 to the Registration Statement on Form S-4 of PowerFleet, Inc., filed with the SEC on July 23, 2019\).](#)
- 4.3 [Form of Amended and Restated Promissory Note \(incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of PowerFleet, Inc., filed with the SEC on May 14, 2020\).](#)
- 4.4 [Description of Securities \(incorporated by reference to Exhibit 4.4 to the Annual Report on Form 10-K of PowerFleet, Inc. for the fiscal year ended December 31, 2019 filed with the SEC on April 8, 2020\).](#)
- 10.1 [I.D. Systems, Inc. 2007 Equity Compensation Plan, as amended \(incorporated by reference to Exhibit 99.1 to the Registration Statement on Form S-8 of I.D. Systems, Inc., filed with the SEC on November 21, 2012\).*](#)
- 10.2.1 [2009 Non-Employee Director Equity Compensation Plan \(incorporated by reference to Exhibit 10.5 to the Quarterly Report on Form 10-Q of I.D. Systems, Inc. for the fiscal quarter ended September 30, 2009, filed with the SEC on November 6, 2009\).*](#)
- 10.2.2 [Amendment, dated March 16, 2012, to 2009 Non-Employee Director Equity Compensation Plan \(incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q of I.D. Systems, Inc. for the fiscal quarter ended March 31, 2012, filed with the SEC on May 14, 2012\).*](#)
- 10.3 [I.D. Systems, Inc. 2015 Equity Compensation Plan \(incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of I.D. Systems, Inc. filed with the SEC on June 25, 2015\).*](#)
- 10.4 [PowerFleet, Inc. 2018 Incentive Plan, as amended \(incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K12B of PowerFleet, Inc., filed with the SEC on October 3, 2019\).*](#)
- 10.5.1 [Severance Agreement, dated September 11, 2009, by and between PowerFleet, Inc. and Ned Mavrommatis \(incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q of I.D. Systems, Inc. for the fiscal quarter ended September 30, 2009, filed with the SEC on November 6, 2009\)](#)
- 10.5.2 [Amendment to Severance Agreement, dated May 28, 2020, between PowerFleet, Inc. and Ned Mavrommatis \(incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K of PowerFleet, Inc., filed with the SEC on June 1, 2020\).](#)
- 10.6 [Employment Offer Letter, dated December 6, 2016, between PowerFleet, Inc. and Chris A. Wolfe \(incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of I.D. Systems, Inc., filed with the SEC on December 8, 2016\).*](#)
- 10.7.1 [Severance Agreement, dated August 20, 2018, between I.D. Systems, Inc. and Chris Wolfe \(incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of I.D. Systems, Inc., filed with the SEC on August 21, 2018\).*](#)
- 10.7.2 [Amendment to Severance Agreement, dated May 28, 2020, between PowerFleet, Inc. and Chris Wolfe \(incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of PowerFleet, Inc., filed with the SEC on June 1, 2020\).](#)
- 10.8 [Form of Director and Officer Indemnification Agreement \(incorporated by reference to Exhibit 10.5 to Amendment No. 2 to the Registration Statement on Form S-4 of PowerFleet, Inc., filed with the SEC on July 23, 2019\).*](#)
- 10.9 [Termination of Employment by Mutual Consent Agreement, dated December 11, 2019, by and among David Mahlab, Pointer Telocation Ltd. and PowerFleet, Inc. \(incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of PowerFleet, Inc., filed with the SEC on December 12, 2019\).*](#)
- 10.10 [Registration Rights Agreement, dated as of October 3, 2019, by and among PowerFleet, Inc., ABRY Senior Equity V, L.P. and ABRY Senior Equity Co-Investment Fund V, L.P. \(incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K12B of PowerFleet, Inc., filed with the SEC on October 3, 2019\).](#)
- 10.11 [Credit Agreement, dated August 19, 2019, by and among Powerfleet Israel Holding Company Ltd., Pointer Telocation Ltd. and Bank Hapoalim BM \(incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of I.D. Systems, Inc., filed with the SEC on August 23, 2019\).](#)
- 10.12 [Equity Distribution Agreement, dated May 14, 2020, by and between PowerFleet, Inc. and Canaccord Genuity LLC \(incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of PowerFleet, Inc., filed with the SEC on May 14, 2020\).](#)
- 21.1 [List of Subsidiaries \(filed herewith\).](#)
- 23.1 [Consent of Ernst & Young LLP \(filed herewith\).](#)

- 23.2 [Consent of EisnerAmper LLP \(filed herewith\).](#)
- 31.1 [Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 \(filed herewith\).](#)
- 31.2 [Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 \(filed herewith\).](#)
- 32.1 [Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 \(filed herewith\).](#)
- 32.2 [Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 \(filed herewith\).](#)
- 101.INS XBRL Instance Document.
- 101.SCH XBRL Taxonomy Extension Schema Document.
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document.
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document.
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document.
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document.

† We have omitted certain schedules and exhibits to this agreement in accordance with Item 601(b)(2) of Regulation S-K, and we will supplementally furnish a copy of any omitted schedule and/or exhibit to the Securities and Exchange Commission upon request.

* Management contract or compensatory plan or arrangement.

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

Item 16. Form 10-K Summary

None.

SIGNATURES

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

Date: March 19, 2021

POWERFLEET, INC.

By: /s/ Chris A. Wolfe

Chris A. Wolfe
Chief Executive Officer
(Principal Executive Officer)

By: /s/ Ned Mavrommatis

Ned Mavrommatis
Chief Financial Officer
(Principal Financial and Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report is signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Chris A. Wolfe</u> Chris A. Wolfe	Chief Executive Officer (Principal Executive Officer)	March 19, 2021
<u>/s/ Ned Mavrommatis</u> Ned Mavrommatis	Chief Financial Officer (Principal Financial and Accounting Officer)	March 19, 2021
<u>/s/ Anders Bjork</u> Anders Bjork	Director	March 19, 2021
<u>/s/ Michael Brodsky</u> Michael Brodsky	Director	March 19, 2021
<u>/s/ Michael Casey</u> Michael Casey	Director	March 19, 2021
<u>/s/ Charles Frumberg</u> Charles Frumberg	Director	March 19, 2021
<u>/s/ David Mahlab</u> David Mahlab	Director	March 19, 2021
<u>/s/ Medhini Srinivasan</u> Medhini Srinivasan	Director	March 19, 2021

**POWERFLEET, INC.
LIST OF SUBSIDIARIES**

Name	Jurisdiction of Formation
I.D. Systems, Inc.	Delaware
Asset Intelligence, LLC	Delaware
Keytroller, LLC	Delaware
PowerFleet GmbH	Germany
PowerFleet Systems Ltd	United Kingdom
PowerFleet Israel Ltd.	Israel
Pointer Telocation Ltd.	Israel
Pointer Argentina S.A. (1)	Argentina
Pointer Recuperación de México, S.A. de C.V. (2)	Mexico
Pointer Logistica y Monitoreo, S.A. de C.V. (2)	Mexico
Pointer do Brasil Comercial Ltda.	Brazil
Pointer Telocation India	India
Pointer SA (PTY) Ltd. (3)	South Africa

- (1) The Company indirectly holds 99.64% of the issued and outstanding shares of Pointer Argentina S.A.
(2) The Company indirectly holds 99.99% of the issued and outstanding capital stock of Pointer Recuperación de México, S.A. de C.V. and Pointer Logistica y Monitoreo, S.A. de C.V.
(3) The Company indirectly holds 88% of the issued and outstanding shares of Pointer SA (PTY) Ltd.

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement on Form S-3 (No. 333-234703) of PowerFleet, Inc.
- (2) Registration Statement on Form S-8 (No. 333-234079) pertaining to the PowerFleet, Inc. 2018 Incentive Plan, I.D. Systems, Inc. 2015 Equity Compensation Plan, I.D. Systems, Inc. 2009 Non-Employee Director Equity Compensation Plan and I.D. Systems, Inc. 2007 Equity Compensation Plan and
- (3) Registration Statement on Form S-8 (No. 333-234081) pertaining to the I.D. Systems, Inc. 401(k) Plan; of our report dated March 19, 2021, with respect to the consolidated financial statements of PowerFleet, Inc., included in this Annual Report (Form 10-K) for the year ended December 31, 2020.

/s/ Ernst & Young LLP

Iselin, New Jersey
March 19, 2021

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements of PowerFleet, Inc. on Form S-8 (Nos. 333-234081 and 333-234079) and on Form S-3 (No. 333-234703) of our report dated April 1, 2019, on our audit of the consolidated financial statements and financial statement schedule identified in Item 15 as of December 31, 2018, which report is included in this Annual Report on Form 10-K.

/s/ EisnerAmper LLP

Iselin, New Jersey
March 19, 2021

CERTIFICATIONS

I, Chris A. Wolfe, as Chief Executive Officer (Principal Executive Officer), certify that:

1. I have reviewed this Annual Report on Form 10-K of PowerFleet, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

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

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

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

Date: March 19, 2021

By: /s/ Chris A. Wolfe

Name: Chris A. Wolfe

Title: Chief Executive Officer

(Principal Executive Officer)

CERTIFICATIONS

I, Ned Mavrommatis, as Chief Financial Officer (Principal Financial Officer), certify that:

1. I have reviewed this Annual Report on Form 10-K of PowerFleet, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

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

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

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

Date: March 19, 2021

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

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K (the “Report”) of PowerFleet, Inc. (the “Corporation”) for the year ended December 31, 2020, as filed with the Securities and Exchange Commission on the date hereof, I, Chris A. Wolfe, Chief Executive Officer of the Corporation, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Dated: March 19, 2021

By: /s/ Chris A. Wolfe

Name: Chris A. Wolfe

Title: Chief Executive Officer

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

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

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K (the "Report") of PowerFleet, Inc. (the "Corporation") for the year ended December 31, 2020, as filed with the Securities and Exchange Commission on the date hereof, I, Ned Mavrommatis, Chief Financial Officer of the Corporation, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Date: March 19, 2021

By: /s/ Ned Mavrommatis

Name: Ned Mavrommatis

Title: Chief Financial Officer

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

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