UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2016
OR

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

For the transition period from __________ to _________ .

Commission file number: 000-31659

NOVATEL WIRELESS, INC.
(Exact name of registrant as specified in its charter)

Delaware	**86-0824673**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**
9645 Scranton Road San Diego, California	**92121**
(Address of Principal Executive Offices)	**(Zip Code)**

Registrant's telephone number, including area code: (858) 812-3400

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

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

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

Large accelerated filer	☐		Accelerated filer	☒
Non-accelerated filer	☐	(Do not check if a smaller reporting company)	Smaller reporting company	☐

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

The number of shares of the registrant's common stock outstanding as of July 28, 2016 was 53,854,656.

PART I—FINANCIAL INFORMATION

Item 1. ***Financial Statements***

NOVATEL WIRELESS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)

	June 30, 2016 (Unaudited)	December 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	$ 18,541	$ 12,570
Accounts receivable, net of allowance for doubtful accounts of $724 at June 30, 2016 and $601 at December 31, 2015	35,515	35,263
Short-term investments	—	1,267
Inventories	34,261	55,837
Prepaid expenses and other	5,942	6,039
Total current assets	94,259	110,976
Property, plant and equipment, net of accumulated depreciation of $64,579 at June 30, 2016 and $62,832 at December 31, 2015	7,686	8,812
Rental assets, net of accumulated depreciation of $1,783 at June 30, 2016 and $1,034 at December 31, 2015	6,626	6,155
Intangible assets, net of accumulated amortization of $20,655 at June 30, 2016 and $17,380 at December 31, 2015	42,508	43,089
Goodwill	31,119	29,520
Other assets	771	201
Total assets	$ 182,969	$ 198,753
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 19,905	$ 35,286
Accrued expenses and other current liabilities	35,368	25,613
DigiCore bank facilities	3,541	3,313
Total current liabilities	58,814	64,212
Long-term liabilities:		
Convertible senior notes, net	86,684	82,461
Revolving credit facility	—	—
Deferred tax liabilities, net	3,267	3,475
Other long-term liabilities	13,079	18,142
Total liabilities	161,844	168,290
Commitments and Contingencies		
Stockholders' equity:		
Preferred stock, par value $0.001; 2,000,000 shares authorized and none outstanding	—	—
Common stock, par value $0.001; 150,000,000 shares authorized at June 30, 2016 and December 31, 2015, respectively, 53,853,148 and 53,165,024 shares issued and outstanding at June 30, 2016 and December 31, 2015, respectively	54	53
Additional paid-in capital	504,990	502,337
Accumulated other comprehensive loss	(5,912)	(8,507)
Accumulated deficit	(478,054)	(463,451)
Total stockholders' equity attributable to Novatel Wireless, Inc.	21,078	30,432
Noncontrolling interests	47	31
Total stockholders' equity	21,125	30,463
Total liabilities and stockholders' equity	$ 182,969	$ 198,753

See accompanying notes to unaudited condensed consolidated financial statements.

NOVATEL WIRELESS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except share and per share data)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	**2015**	**2016**	**2015**
Net revenues:				
Hardware	$ 49,145	$ 49,272	$ 103,306	$ 102,283
SaaS, software and services	13,666	2,395	26,449	2,878
Total net revenues	62,811	51,667	129,755	105,161
Cost of net revenues:				
Hardware	35,758	35,775	76,627	76,598
SaaS, software and services	3,815	569	8,707	606
Total cost of net revenues	39,573	36,344	85,334	77,204
Gross profit	23,238	15,323	44,421	27,957
Operating costs and expenses:				
Research and development	8,281	9,690	16,306	20,448
Sales and marketing	8,356	4,231	16,109	8,455
General and administrative	9,994	8,988	20,193	14,352
Amortization of purchased intangible assets	976	656	1,904	823
Restructuring charges, net of recoveries	269	—	891	(164)
Total operating costs and expenses	27,876	23,565	55,403	43,914
Operating loss	(4,638)	(8,242)	(10,982)	(15,957)
Other income (expense):				
Interest expense, net	(3,907)	(838)	(7,835)	(912)
Other income (expense), net	5,842	(66)	4,546	(83)
Loss before income taxes	(2,703)	(9,146)	(14,271)	(16,952)
Income tax provision (benefit)	(10)	74	321	94
Net loss	(2,693)	(9,220)	(14,592)	(17,046)
Less: Net income attributable to noncontrolling interests	(8)	—	(13)	—
Net loss attributable to Novatel Wireless, Inc.	$ (2,701)	$ (9,220)	$ (14,605)	$ (17,046)
Per share data:				
Net loss per share:				
Basic and diluted	$ (0.05)	$ (0.17)	$ (0.27)	$ (0.34)
Weighted average shares used in computation of net loss per share:				
Basic and diluted	53,622,554	53,403,148	53,436,611	49,852,411

See accompanying notes to unaudited condensed consolidated financial statements.

NOVATEL WIRELESS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(In thousands)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	**2015**	**2016**	**2015**
Net loss	$ (2,693)	$ (9,220)	$ (14,592)	$ (17,046)
Foreign currency translation adjustment	317	—	2,595	—
Total comprehensive loss	$ (2,376)	$ (9,220)	$ (11,997)	$ (17,046)

See accompanying notes to unaudited condensed consolidated financial statements.

NOVATEL WIRELESS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)
(Unaudited)

	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Cash flows from operating activities:		
Net loss	$ (14,592)	$ (17,046)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	7,233	2,393
Amortization of acquisition-related inventory step-up	1,829	586
Provision for bad debts, net of recoveries	134	(43)
Provision for excess and obsolete inventory	1,553	299
Share-based compensation expense	2,322	1,973
Amortization of debt discount and debt issuance costs	4,223	469
Gain on divestiture and sale of other assets, net of loss on disposal of assets	(6,888)	—
Deferred income taxes	(208)	—
Unrealized foreign currency transaction loss, net	2,071	—
Other	895	—
Changes in assets and liabilities, net of effects from acquisitions and divestitures:		
Accounts receivable	4,458	(5,832)
Inventories	12,392	7,904
Prepaid expenses and other assets	(473)	765
Accounts payable	(17,216)	(14,916)
Accrued expenses, income taxes, and other	1,499	4,268
Net cash used in operating activities	(768)	(19,180)
Cash flows from investing activities:		
Acquisition-related escrow	—	(88,274)
Acquisitions, net of cash acquired	(1,875)	(9,063)
Purchases of property, plant and equipment	(493)	(613)
Proceeds from the sale of property, plant and equipment	145	—
Proceeds from the sale of divested assets	9,250	—
Proceeds from the sale of short-term investments	1,210	—
Purchases of intangible assets and additions to capitalized software costs	(1,318)	(224)
Net cash provided by (used in) investing activities	6,919	(98,174)
Cash flows from financing activities:		
Gross proceeds from the issuance of convertible senior notes	—	120,000
Payment of issuance costs related to convertible senior notes	—	(3,540)
Proceeds from the exercise of warrant to purchase common stock	—	8,644
Net borrowings on DigiCore bank facilities	45	—
Net repayments on revolving credit facility	—	(5,158)
Payoff of acquisition-related assumed liabilities	—	(2,633)
Principal payments under capital lease obligations	(450)	—
Principal payments on mortgage bond	(112)	—
Proceeds from stock option exercises and employee stock purchase plan, net of taxes paid on vested restricted stock units	329	315
Net cash provided by (used in) financing activities	(188)	117,628
Effect of exchange rates on cash and cash equivalents	8	(214)
Net increase in cash and cash equivalents	5,971	60
Cash and cash equivalents, beginning of period	12,570	17,853
Cash and cash equivalents, end of period	$ 18,541	$ 17,913
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	$ 3,598	$ 106
Income taxes	$ 57	$ 106

See accompanying notes to unaudited condensed consolidated financial statements.

NOVATEL WIRELESS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Basis of Presentation

The information contained herein has been prepared by Novatel Wireless, Inc. (the "Company") in accordance with the rules of the Securities and Exchange Commission (the "SEC"). The information at June 30, 2016 and the results of the Company's operations for the three and six months ended June 30, 2016 and 2015 are unaudited. The condensed consolidated financial statements reflect all adjustments, consisting of only normal recurring accruals, which are, in the opinion of management, necessary for a fair statement of the results of the interim periods presented. These condensed consolidated financial statements and notes hereto should be read in conjunction with the audited financial statements from which they were derived and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2015. Except as set forth below, the accounting policies used in preparing these unaudited condensed consolidated financial statements are the same as those described in the Company's Annual Report on Form 10-K. The results of operations for the interim periods presented are not necessarily indicative of results to be expected for any other interim period or for the year as a whole.

For the three months ended June 30, 2016 and 2015, the Company incurred a net loss of $2.7 million and $9.2 million, respectively. The Company's ability to transition to attaining profitable operations is dependent upon achieving a level of revenues adequate to support its evolving cost structure. If events or circumstances occur such that the Company does not meet its operating plan as expected, the Company may be required to reduce planned research and development activities, incur additional restructuring charges or reduce other operating expenses which could have an adverse impact on its ability to achieve its intended business objectives. These additional reductions in expenditures, if required, could have an adverse impact on the Company's ability to achieve certain of its business objectives. The Company's management believes that its cash and cash equivalents and availability under its senior secured revolving credit facility, together with anticipated cash flows from operations, will be sufficient to meet its working capital needs for the next twelve months and the foreseeable future.

Principles of Consolidation

The condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation.

Segment Information

Management has determined that the Company has one reportable segment. The Chief Executive Officer, who is also the Chief Operating Decision Maker, does not manage any part of the Company separately, and the allocation of resources and assessment of performance is based solely on the Company's consolidated operations and operating results.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. ("GAAP") requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent liabilities. Actual results could differ materially from these estimates. Significant estimates include allowance for doubtful accounts receivable, provision for excess and obsolete inventory, valuation of intangible and long-lived assets, valuation of goodwill, valuation of debt obligations, royalty costs, accruals relating to litigation and restructuring, provision for warranty costs, income taxes and share-based compensation expense.

New Accounting Pronouncements

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board (the "FASB"), which are adopted by the Company as of the specified date. Unless otherwise discussed, management believes the impact of recently issued standards, some of which are not yet effective, will not have a material impact on its unaudited condensed consolidated financial statements upon adoption.

In March 2016, the FASB issued Accounting Standards Update ("ASU") 2016-09, *Improvements to Employee Share-Based Payment Accounting*, which affects entities that issue share-based payment awards to their employees. The guidance is designed to identify areas for simplification involving several aspects of accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, an option to recognize gross stock compensation expense with actual forfeitures recognized as they occur, as well as certain classifications on the statement of cash flows. This guidance is effective prospectively for interim and annual periods beginning after December 15, 2017. Early adoption is permitted. The Company is currently assessing the impact of this guidance.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which establishes the principles to report transparent and economically neutral information about the assets and liabilities that arise from leases. This guidance results in the Company providing a more faithful representation of the rights and obligations arising from operating and capital leases by requiring lessees to recognize the lease assets and lease liabilities that arise from leases in the statement of financial position and to disclose qualitative and quantitative information about lease transactions, such as information about variable lease payments and options to renew and terminate leases. This guidance is effective prospectively for interim and annual periods beginning after December 15, 2018. Early adoption is permitted. The Company is currently assessing the impact of this guidance.

In September 2015, the FASB issued ASU 2015-16, *Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments*, which eliminates the requirement for an acquirer to retrospectively adjust provisional amounts recorded in a business combination to reflect new information about the facts and circumstances that existed as of the acquisition date and that, if known, would have affected the measurement or recognition of amounts initially recognized. As an alternative, the update requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The update requires that the acquirer record, in the financial statements of the period in which adjustments to provisional amounts are determined, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. The Company implemented this guidance during the first quarter of 2016. This guidance did not have a material impact on the Company's unaudited condensed consolidated financial statements upon adoption.

In April 2015, the FASB issued ASU 2015-05, *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement*. Under this standard, if a cloud computing arrangement includes a software license, the software license element of the arrangement should be accounted for consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the arrangement should be accounted for as a service contract. The Company implemented this guidance during the first quarter of 2016. This guidance did not have a material impact on the Company's unaudited condensed consolidated financial statements upon adoption.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which provides guidance for revenue recognition. The new standard will require revenue recognized to represent the transfer of promised goods or services to customers in an amount that reflects the consideration the company expects to receive in exchange for those goods or services. The standard also requires new, expanded disclosures regarding revenue recognition. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers: Deferral of Effective Date*. The standard defers the effective date of adoption of ASU 2014-09 to interim and annual reporting periods beginning after December 15, 2017. Early adoption is permitted but not before the original effective date of December 15, 2016. There are two adoption methods available for implementation of this guidance. Under one method, the guidance is applied retrospectively to contracts for each reporting period presented, subject to allowable practical expedients. Under the other method, the guidance is applied only to the most current period presented, recognizing the cumulative effect of the change as an adjustment to the beginning balance of retained earnings, and also requires additional disclosures comparing the results to the previous guidance. The Company is currently evaluating the adoption methods and assessing the impact of this guidance.

2. Acquisitions and Divestitures

Acquisitions

DigiCore Holdings Limited (DBA Ctrack)

On June 18, 2015, the Company entered into a transaction implementation agreement (the "TIA") with DigiCore Holdings Limited ("DigiCore" or "Ctrack"). Pursuant to the terms of the TIA, the Company acquired 100% of the issued and outstanding ordinary shares of DigiCore (with the exception of certain excluded shares, including treasury shares) for 4.40 South African Rand per ordinary share outstanding on October 5, 2015. Upon consummation of the acquisition, DigiCore became an indirect wholly-owned subsidiary of the Company.

Upon the closing of the transaction, holders of unvested in-the-money DigiCore stock options received stock options to purchase shares of the Company's common stock as replacement awards.

In connection with the acquisition, the Company incurred $1.7 million in total transaction costs and expenses, all of which were recognized in 2015.

Purchase Price

The total purchase price was approximately $80.0 million and included a cash payment for all of the outstanding ordinary shares of DigiCore and the purchase of in-the-money vested stock options held by Ctrack employees on the closing date of the transaction and the portion of the fair value of replacement equity awards issued to Ctrack employees that related to services performed prior to the date the transaction closed.

Set forth below is supplemental purchase consideration information related to the Ctrack acquisition (in thousands):

Cash payments	$	79,365
Fair value of replacement equity awards issued to Ctrack employees for preacquisition services		623
Total purchase price	$	79,988

Allocation of Fair Value

The Company accounted for the transaction using the acquisition method and, accordingly, the consideration has been allocated to the tangible and intangible assets acquired and liabilities assumed on the basis of their respective estimated fair values on the acquisition date. Goodwill resulting from this acquisition is largely attributable to the experienced workforce of Ctrack and synergies expected to arise after the integration of Ctrack's products and operations into those of the Company. Goodwill resulting from this acquisition is not deductible for tax purposes. Identifiable intangible assets acquired as part of the acquisition included definite-lived intangible assets for developed technologies, customer relationships and trade names, which are being amortized using the straight-line method over their estimated useful lives, as well as indefinite-lived intangible assets. Liabilities assumed from Ctrack included a mortgage bond and capital lease obligations.

The fair value has been allocated based on the estimated fair values of assets acquired and liabilities assumed as follows (in thousands):

	October 5, 2015	
Cash	$	2,437
Accounts receivable		15,052
Inventory		11,361
Property, plant and equipment		5,924
Rental assets		6,603
Intangible assets		28,270
Goodwill		29,273
Other assets		5,695
Bank facilities		(2,124)
Accounts payable		(7,446)
Accrued and other liabilities		(15,018)
Noncontrolling interests		(39)
Net assets acquired	$	79,988

The above fair value allocation is considered preliminary and is subject to revision during the measurement period. Management is in the process of completing its evaluation of obligations related to income tax.

Valuation of Intangible Assets Acquired

The following table sets forth the components of definite-lived intangible assets acquired in connection with the Ctrack acquisition (in thousands):

	Amount Assigned	Amortization Period (in years)
Developed technologies	$ 10,170	6.0
Trade name	14,030	10.0
Customer relationships	4,070	5.0
Total intangible assets acquired	$ 28,270	

R.E.R. Enterprises, Inc. (DBA Feeney Wireless)

On March 27, 2015, the Company entered into an asset purchase agreement ("APA") with R.E.R. Enterprises, Inc. ("RER") to acquire all of the issued and outstanding shares of RER and its wholly-owned subsidiary and principal operating asset, Feeney Wireless, LLC, an Oregon limited liability company (collectively, "FW"), which develops and sells solutions for the Internet of Things that integrate wireless communications into business processes. This strategic acquisition expanded the Company's product and solutions offerings to include private labeled cellular routers, in-house designed and assembled cellular routers, high-end wireless surveillance systems, modems, computers and software, along with associated hardware, purchased from major industry suppliers. Additionally, FW's services portfolio includes consulting, systems integration and device management services.

In connection with the acquisition, the Company incurred $0.9 million in total costs and expenses, all of which were recognized in 2015.

Purchase Price

The total consideration was approximately $24.8 million and included a cash payment at closing of approximately $9.3 million, $1.5 million of which was placed into an escrow fund to serve as partial security for the indemnification obligations of RER and its former shareholders, the Company's assumption of $0.5 million in certain transaction-related expenses incurred by FW, and the future issuance of shares of the Company's common stock valued at $15.0 million, which would have been payable in March 2016.

The total consideration of $24.8 million did not include amounts, if any, payable under an earn-out arrangement pursuant to which the Company may have been required to pay up to an additional $25.0 million to the former shareholders of RER contingent upon FW's achievement of certain financial targets for the years ending December 31, 2015, 2016, and 2017 (the "Earn-Out Arrangement"). Such payments, if any, under the Earn-Out Arrangement would have been payable in either cash or shares of the Company's common stock at the discretion of the Company, and would have been recorded as compensation expense during the service period earned.

Set forth below is supplemental purchase consideration information related to the FW acquisition (in thousands):

Cash payments	$ 9,268
Future issuance of common stock	15,000
Other assumed liabilities	509
Total purchase price	$ 24,777

On January 5, 2016, the Company and RER amended certain payment terms of the APA. Under the amended agreement, the $1.5 million placed into escrow on the date of acquisition was released to RER and its former shareholders on January 8, 2016, and the $15.0 million that was payable in shares of the Company's common stock in March 2016 will now be paid in five cash installments over a four-year period, beginning in March 2016. In addition, the Earn-Out Arrangement has been amended as follows: (a) any amount earned under the Earn-Out Arrangement for the achievement of financial targets for the year ended December 31, 2015 will now be paid in five cash installments over a four-year period, beginning in March 2016 and (b) in replacement of the potential earn-out contingent upon FW's achievement of certain financial targets for the years ended December 31, 2016 and 2017 the Company will issue to the former shareholders of RER approximately 2.9 million shares of the Company's common stock in three equal installments over a three-year period, beginning in March 2017, contingent upon the retention of certain key personnel.

The Company recognized approximately $0.8 million in expense during the six months ended June 30, 2016 in connection with the potential payment, in the form of shares of the Company's common stock to the former shareholders of RER, which is contingent upon FW's retention of certain key personnel. As of June 30, 2016, the total amount earned pursuant to the Earn-Out Arrangement was $6.9 million, $6.1 million of which remained outstanding and is included in accrued expenses and other current liabilities and other long-term liabilities in the unaudited condensed consolidated balance sheets.

Allocation of Fair Value

The Company accounted for the transaction using the acquisition method and, accordingly, the consideration has been allocated to the tangible and intangible assets acquired and liabilities assumed on the basis of their respective estimated fair values on the acquisition date as set forth below. Goodwill resulting from this acquisition is largely attributable to the experienced workforce of FW and synergies expected to arise after the integration of FW's products and operations into those of the Company. Goodwill resulting from this acquisition is deductible for tax purposes. Identifiable intangible assets acquired as part of the acquisition included definite-lived intangible assets for developed technologies, customer relationships, and trademarks, which are being amortized using the straight-line method over their estimated useful lives, as well as indefinite-lived intangible assets, including in-process research and development. Liabilities assumed from FW included a term loan and capital lease obligations. The term loan and certain capital lease obligations were paid in full by the Company immediately following the closing of the acquisition on March 27, 2015.

The fair value has been allocated based on the estimated fair values of assets acquired and liabilities assumed as follows (in thousands):

		March 27, 2015
Cash	$	205
Accounts receivable		3,331
Inventory		10,008
Property, plant and equipment		535
Intangible assets		18,880
Goodwill		3,949
Other assets		544
Accounts payable		(7,494)
Accrued and other liabilities		(1,916)
Deferred revenues		(270)
Note payable		(2,575)
Capital lease obligations		(420)
Net assets acquired	$	24,777

Valuation of Intangible Assets Acquired

The following table sets forth the components of intangible assets acquired in connection with the FW acquisition (dollars in thousands):

		Amount Assigned	Amortization Period (in years)
Definite-lived intangible assets:			
Developed technologies	$	3,660	6.0
Trademarks		4,700	10.0
Customer relationships		8,500	10.0
Indefinite-lived intangible assets:			
In-process research and development		2,020	
Total intangible assets acquired	$	18,880	

Pro Forma Summary

The unaudited consolidated pro forma results for the three and six months ended June 30, 2016 and 2015 are set forth in the table below (in thousands). These pro forma consolidated results combine the results of operations of the Company, Ctrack and FW as though Ctrack and FW had been acquired as of January 1, 2015 and include amortization charges for the acquired intangibles for both acquisitions and interest expense related to the Company's borrowings to finance the Ctrack acquisition. The pro forma financial information is presented for informational purposes only and is not necessarily indicative of the results of operations that would have been achieved if the acquisition had taken place at the beginning of 2015.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net revenues	$ 62,811	$ 67,861	$ 129,755	$ 143,782
Net loss	$ (2,693)	$ (9,310)	$ (14,592)	$ (20,318)

Divestiture

On April 11, 2016, the Company signed a definitive asset purchase agreement with Telit Technologies (Cyprus) Limited and Telit Wireless Solutions, Inc. (collectively, "Telit") pursuant to which the Company sold, and Telit acquired, certain hardware modules and related assets for an initial purchase price of $11.0 million in cash, which includes $9.0 million that was paid to the Company on the closing date of the transaction, $1.0 million that will be paid to the Company in equal quarterly installments over a two-year period in connection with the provision by the Company of certain transition services and $1.0 million that will be paid to the Company following the satisfaction of certain conditions by the Company, including the assignment of specified contracts and the delivery of certain certifications and approvals. The Company also has the potential to receive an additional cash payment of approximately $3.8 million from Telit related to their purchase of module product inventory from the Company, $1.0 million of which will be paid to the Company in equal quarterly installments over the two-year period following the closing date in connection with the provision by the Company of certain transition services. In addition to the above, the Company may be entitled to receive a subsequent earn-out payment following the closing of the transaction if certain conditions are met.

During the three months ended June 30, 2016, the Company received approximately $9.3 million in cash and recognized a gain of approximately $6.9 million in connection with the fulfillment of certain obligations pursuant to the agreement, which is included in other income (expense), net, in the unaudited condensed consolidated statements of operations. The Company also recorded a liability for the fair value of the obligations that have yet to be fulfilled by the Company, which was $3.7 million as of June 30, 2016, and is included in accrued expenses and other current liabilities in the unaudited condensed consolidated balance sheets, and a receivable for the remainder of the cash to be received from Telit pursuant to the agreement, which was $5.4 million as of June 30, 2016, and is included in other assets and prepaid expenses and other in the unaudited condensed consolidated balance sheets.

3. Balance Sheet Details

Inventories

Inventories consist of the following (in thousands):

	June 30, 2016	December 31, 2015
Finished goods	$ 29,123	$ 47,094
Raw materials and components	5,138	8,743
Total inventories	$ 34,261	$ 55,837

Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consist of the following (in thousands):

	June 30, 2016	December 31, 2015
Royalties	$ 2,893	$ 2,740
Payroll and related expenses	5,087	4,406
Warranty obligations	788	932
Market development funds and price protection	2,539	2,805
Professional fees	1,647	1,060
Deferred revenue	1,635	1,836
Restructuring	866	1,044
Acquisition-related liabilities	8,689	5,274
Divestiture-related liabilities	3,686	—
Other	7,538	5,516
Total accrued expenses and other current liabilities	$ 35,368	$ 25,613

Accrued Warranty Obligations

Accrued warranty obligations activity during the six months ended June 30, 2016 was as follows (in thousands):

Warranty liability at December 31, 2015	$ 932
Additions charged to operations	358
Deductions from liability	(502)
Warranty liability at June 30, 2016	$ 788

4. Intangible Assets

The balances in goodwill and intangible assets were primarily a result of the Company’s acquisitions of Ctrack, FW and Enfora, Inc. See Note 4, *Intangible Assets*, in the Company's 2015 Annual Report on Form 10-K for a discussion of the components of goodwill and additional information regarding intangible assets.

5. Fair Value Measurement of Assets and Liabilities

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). A fair value measurement reflects the assumptions market participants would use in pricing an asset or liability based on the best available information. These assumptions include the risk inherent in a particular valuation technique (such as a pricing model) and the risks inherent in the inputs to the model.

The Company classifies inputs to measure fair value using a three-level hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. The categorization of financial instruments within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The hierarchy is prioritized into three levels (with Level 3 being the lowest) and is defined as follows:

Level 1: Pricing inputs are based on quoted market prices for identical assets or liabilities in active markets (e.g., NYSE or NASDAQ). Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Pricing inputs include benchmark yields, trade data, reported trades and broker dealer quotes, two-sided markets and industry and economic events, yield to maturity, Municipal Securities Rule Making Board reported trades and vendor trading platform data. Level 2 includes those financial instruments that are valued using various pricing services and broker pricing information including Electronic Communication Networks and broker feeds.

Level 3: Pricing inputs include significant inputs that are generally less observable from objective sources, including the Company’s own assumptions.

The Company reviews the fair value hierarchy classification on a quarterly basis. Changes in the observability of valuation inputs may result in a reclassification of levels for certain securities within the fair value hierarchy. There have been no transfers of assets or liabilities between fair value measurement classifications during the six months ended June 30, 2016.

The following table summarizes the Company's financial instruments measured at fair value on a recurring basis in accordance with the authoritative guidance for fair value measurements as of June 30, 2016 (in thousands):

	Balance as of June 30, 2016	Level 1
Assets:		
Cash equivalents		
Money market funds	$ 35	$ 35
Total cash equivalents	$ 35	$ 35

The following table summarizes the Company's financial instruments measured at fair value on a recurring basis in accordance with the authoritative guidance for fair value measurements as of December 31, 2015 (in thousands):

	Balance as of December 31, 2015	Level 1
Assets:		
Cash equivalents		
Money market funds	$ 35	$ 35
Total cash equivalents	35	35
Short-term investments	1,267	1,267
Total assets at fair value	$ 1,302	$ 1,302

Other Financial Instruments

The Company's financial assets and liabilities are carried at fair value or at amounts that, because of their short-term nature, approximate current fair value, with the exception of its $120.0 million in 5.50% convertible senior notes due on June 15, 2020 (the "Convertible Notes") (see Note 6). The Company carries its Convertible Notes at amortized cost. The debt and equity components of the Convertible Notes were measured using Level 3 inputs and are not measured on a recurring basis. The fair value of the liability component of the Convertible Notes, which approximated its carrying value on the valuation date due to the recent issuance of such Convertible Notes, was $86.7 million as of June 30, 2016.

6. Debt

Revolving Credit Facility

On October 31, 2014, the Company entered into a five-year senior secured revolving credit facility in the amount of $25.0 million (the "Revolver") with Wells Fargo Bank, National Association, as lender. Concurrently with the acquisition of FW, the Company amended the Revolver to include FW as a borrower and Loan Party, as defined by the agreement. On November 17, 2015, the Revolver was amended to increase the maximum borrowing capacity to $48.0 million.

The amount of borrowings that may be made under the Revolver is based on a borrowing base comprised of a specified percentage of eligible receivables. If, at any time during the term of the Revolver, the amount of borrowings outstanding under the Revolver exceeds the borrowing base then in effect, the Company is required to repay such borrowings in an amount sufficient to eliminate such excess. The Revolver includes $3.0 million available for letters of credit, $1.0 million of which was available for letters of credit at June 30, 2016.

The Company may borrow funds under the Revolver from time to time, with interest payable monthly at a base rate determined by using the daily three month LIBOR rate, plus an applicable margin of 3.00% to 3.50% depending on the Company's liquidity as determined on the last day of each calendar month. The Revolver is secured by a first priority lien on substantially all of the assets of the Company and certain of its subsidiaries, subject to certain exceptions and permitted liens. The Revolver includes customary representations and warranties, as well as customary reporting and financial covenants.

There was no outstanding balance on the Revolver at June 30, 2016 or December 31, 2015. Based on the Company's eligible receivables at June 30, 2016, the Company has available borrowings of approximately $7.8 million. As of June 30, 2016, the Company was in compliance with all financial covenants contained in the credit agreement.

Convertible Senior Notes

On June 10, 2015, the Company issued $120.0 million aggregate principal amount of Convertible Notes. The Company incurred issuance costs of approximately $3.9 million. The Company used a portion of the proceeds from the offering to finance its acquisition of Ctrack, to pay fees and expenses related to the acquisition, and for general corporate purposes.

The Convertible Notes are governed by the terms of an indenture, dated June 10, 2015, entered into between the Company, as issuer, and Wilmington Trust, National Association, as trustee. The Convertible Notes are senior unsecured obligations and bear interest at a rate of 5.50% per year, payable semi-annually in arrears on June 15 and December 15 of each year, beginning on December 15, 2015. The Convertible Notes will mature on June 15, 2020, unless earlier repurchased or converted. The Convertible Notes will be convertible into cash, shares of the Company's common stock, or a combination thereof, at the election of the Company, at an initial conversion price of $5.00 per share of the Company's common stock.

The Convertible Notes consisted of the following at June 30, 2016 (in thousands):

Liability component:	
Principal	$ 120,000
Less: unamortized debt discount and debt issuance costs	(33,316)
Net carrying amount	$ 86,684
Equity component	$ 38,305

The Company determined the expected life of the debt was equal to the five-year term of the Convertible Notes. The effective interest rate on the liability component was 17.36% for the six months ended June 30, 2016. The following table sets forth total interest expense recognized related to the Convertible Notes during the three and six months ended June 30, 2016 and 2015 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Contractual interest expense	$ 1,650	$ 367	$ 3,300	$ 367
Amortization of debt discount	1,980	440	3,960	440
Amortization of debt issuance costs	131	29	263	29
Total interest expense	$ 3,761	$ 836	$ 7,523	$ 836

7. Share-based Compensation

The Company included the following amounts for share-based compensation awards in the unaudited condensed consolidated statements of operations (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Cost of revenues	$ 55	$ 37	$ 107	$ 58
Research and development	212	187	461	402
Sales and marketing	213	143	423	183
General and administrative	776	816	1,331	1,330
Total	$ 1,256	$ 1,183	$ 2,322	$ 1,973

Stock Options

The following table summarizes the Company's stock option activity:

Outstanding — December 31, 2014	3,064,880
Granted	6,656,737
Exercised	(273,005)
Canceled	(3,363,776)
Outstanding — December 31, 2015	6,084,836
Granted	1,051,550
Exercised	(9,568)
Canceled	(392,577)
Outstanding — June 30, 2016	6,734,241
Exercisable — June 30, 2016	1,554,152

At June 30, 2016, total unrecognized compensation expense related to stock options was $6.1 million, which is expected to be recognized over a weighted-average period of 3.04 years.

Restricted Stock Units

The following table summarizes the Company's restricted stock unit ("RSU") activity:

Non-vested at December 31, 2014	1,628,179
Granted	1,042,659
Vested	(926,308)
Forfeited	(784,327)
Non-vested at December 31, 2015	960,203
Granted	2,914,000
Vested	(342,123)
Forfeited	(54,028)
Non-vested at June 30, 2016	3,478,052

At June 30, 2016, total unrecognized compensation expense related to RSUs was $5.4 million, which is expected to be recognized over a weighted-average period of 3.17 years.

Employee Stock Purchase Plan

During the three months ended June 30, 2016 and 2015, the Company recognized $0.1 million and $0.1 million, respectively, of stock-based compensation expense related to the employee stock purchase plan (the "ESPP"). During the six months ended June 30, 2016 and 2015, the Company recognized $0.2 million and $0.2 million, respectively, of stock-based compensation expense related to the ESPP.

8. Geographic Information and Concentrations of Risk

Geographic Information

The following table details the Company's concentration of net revenues by geographic region based on shipping destination:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	**2015**	**2016**	**2015**
United States and Canada	73.8%	96.3%	75.4%	96.2%
Latin America	0.1	0.7	0.2	0.7
Europe, Middle East, Africa and other	24.5	2.8	22.9	3.0
Asia and Australia	1.6	0.2	1.5	0.1
	100.0%	100.0%	100.0%	100.0%

Concentrations of Risk

Historically, a significant portion of the Company’s net revenues comes from a small number of customers. For the three months ended June 30, 2016, sales to the Company's largest customer accounted for 56.1% of net revenues. In the same period in 2015, sales to its two largest customers accounted for 56.5% and 12.0%, respectively, of net revenues. For the six months ended June 30, 2016 and 2015, sales to the Company’s largest customer accounted for 54.3% and 52.0%, respectively, of net revenues.

9. Earnings Per Share

Basic earnings per share (“EPS”) excludes dilution and is computed by dividing net income (loss) attributable to Novatel Wireless, Inc. by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock using the treasury stock method. Potentially dilutive securities (consisting of warrants, stock options and RSUs calculated using the treasury stock method) are excluded from the diluted EPS computation in loss periods and when the applicable exercise price is greater than the market price on the period end date as their effect would be anti-dilutive.

The calculation of basic and diluted EPS was as follows (in thousands, except share and per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net loss attributable to Novatel Wireless, Inc.	$ (2,701)	$ (9,220)	$ (14,605)	$ (17,046)
Weighted-average common shares outstanding	53,622,554	53,403,148	53,436,611	49,852,411
Basic and diluted net loss per share	$ (0.05)	$ (0.17)	$ (0.27)	$ (0.34)

For the three and six months ended June 30, 2016, the computation of diluted EPS excluded 12,098,923 shares related to warrants, stock options and RSUs as their effect would have been anti-dilutive. For the three and six months ended June 30, 2015, the computation of diluted EPS excluded 8,654,028 shares related to warrants, stock options and RSUs as their effect would have been anti-dilutive.

10. Commitments and Contingencies

Operating Leases

On June 10, 2016, the Company entered into a lease agreement for approximately 41,400 square feet in San Diego, CA to serve as the Company’s new corporate headquarters. The lease will commence on December 15, 2016 and has a term of approximately 36 months. The monthly rent expense for this lease agreement will be approximately $0.1 million.

Legal

The Company is, from time to time, party to various legal proceedings arising in the ordinary course of business. For example, the Company is currently named as a defendant or co-defendant in some patent infringement lawsuits in the U.S. and is indirectly participating in other U.S. patent infringement actions pursuant to its contractual indemnification obligations to certain customers. Based on an evaluation of these matters and discussions with the Company’s intellectual property litigation counsel, the Company currently believes that liabilities arising from or sums paid in settlement of these existing matters, if any, would not have a material adverse effect on its consolidated results of operations or financial condition.

Indemnification

In the normal course of business, the Company periodically enters into agreements that require the Company to indemnify and defend its customers for, among other things, claims alleging that the Company’s products infringe third-party patents or other intellectual property rights. The Company’s maximum exposure under these indemnification provisions cannot be estimated but the Company does not believe that there are any matters individually or collectively that would have a material adverse effect on its financial condition, results of operation or cash flows.

11. Income Taxes

The Company’s effective income tax rate was 0.4% and (0.8)% for the three months ended June 30, 2016 and 2015, respectively, and (2.2)% and (0.6)% for the six months ended June 30, 2016 and 2015, respectively. The Company’s effective income tax rates are significantly lower than the statutory tax rate primarily due to an increase in the Company’s valuation allowance related to its U.S.-based deferred tax amounts, resulting from carryforward net operating losses generated during the three and six months ended June 30, 2016 and 2015.

Pursuant to Internal Revenue Code ("IRC") Sections 382 and 383, annual use of the Company's net operating loss and research and development credit carryforwards may be limited in the event a cumulative change in ownership of more than 50% occurs within a three-year period. The Company is in the process of completing an IRC Section 382 analysis, and the Company expects to have this analysis completed within the next three months.

12. Restructuring

In September 2013, the Company commenced certain restructuring initiatives including the closure of the Company's development site in Calgary, Canada, and the consolidation of certain supply chain management activities (the "2013 Initiatives"). The 2013 Initiatives are expected to cost a total of approximately $6.6 million and be completed when the facility leases expire in December 2016.

In August 2015, the Company approved a restructuring initiative to better position the Company to operate in current market conditions and more closely align operating expenses with revenues, which included employee severance costs and facility exit related costs. In the fourth quarter of 2015, the Company commenced certain initiatives relating to the reorganization of executive level management, which included, among other actions, the replacement of the former Chief Executive Officer (collectively, the "2015 Initiatives"). The Company continued these initiatives in 2016 with a reduction-in-force and the completion of the closure of its facility in Richardson, TX. The 2015 Initiatives are expected to cost a total of approximately $4.6 million and be completed when the Richardson, TX lease expires in June 2020.

In April 2016, the Company commenced certain restructuring initiatives to consolidate the operations of Ctrack with those of the Company, including the closure of the Company's manufacturing operations in Durban, South Africa resulting in a reduction-in-force.

In July 2016, subsequent to the balance sheet date, the Company commenced certain restructuring initiatives intended to improve its strategic focus on its most profitable business lines while de-prioritizing certain hardware-only product lines to non-carrier customers, including a reduction-in-force (collectively with the Durban facility closure, the "2016 Initiatives"). The 2016 Initiatives are expected to cost a total of approximately $0.7 million and be completed in September 2016.

The following table sets forth activity in the restructuring liability for the six months ended June 30, 2016 (in thousands):

	Balance at December 31, 2015	Costs Incurred	Payments	Non-cash	Translation Adjustment	Balance at June 30, 2016	Cumulative Costs Incurred to Date
2013 Initiatives							
Employee Severance Costs	$ —	$ —	$ —	$ —	$ —	$ —	$ 3,986
Facility Exit Related Costs	72	4	(39)	—	—	37	2,629
2015 Initiatives							
Employee Severance Costs	1,330	538	(1,083)	—	14	799	4,129
Facility Exit Related Costs	328	122	(164)	159	—	445	503
2016 Initiatives							
Employee Severance Costs	—	227	(227)	—	—	—	227
Total	$ 1,730	$ 891	$ (1,513)	$ 159	$ 14	$ 1,281	$ 11,474

The balance of the restructuring liability at June 30, 2016 consists of approximately $0.9 million in current liabilities and $0.4 million in long-term liabilities.

As used in this report on Form 10-Q, unless the context otherwise requires, the terms “we,” “us,” “our,” the “Company” and “Novatel Wireless” refer to Novatel Wireless, Inc., a Delaware corporation, and its wholly owned subsidiaries.

Forward-Looking Statements

This report 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”). You should not place undue reliance on these statements. These forward-looking statements include statements that reflect the views of our senior management with respect to our current expectations, assumptions, estimates and projections about Novatel Wireless and our industry. These forward-looking statements speak only as of the date of this report. We disclaim any undertaking to publicly update or revise any forward-looking statements contained herein to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. Statements that include the words “may,” “could,” “should,” “would,” “estimate,” “anticipate,” “believe,” “expect,” “preliminary,” “intend,” “plan,” “project,” “outlook,” “will” and similar words and phrases identify forward-looking statements. Forward-looking statements address matters that involve risks and uncertainties that could cause actual results to differ materially from those anticipated in these forward-looking statements as of the date of this report. We believe that these factors include those related to:

- our ability to compete in the market for wireless broadband data access products, products relating to the Internet of Things (“IoT”), and telematics, vehicle tracking and fleet management products;
- our ability to develop and timely introduce new products successfully;
- our dependence on a small number of customers for a substantial portion of our revenues;
- our ability to execute on our corporate development activities without distracting or disrupting our business operations;
- our ability to integrate the operations of R.E.R. Enterprises, Inc. (“RER”) and its wholly-owned subsidiary and principal operating asset, Feeney Wireless, LLC (collectively, “FW”), DigiCore Holdings Limited (“DigiCore” or “Ctrack”), and any business, products, technologies or personnel that we may acquire in the future, including: (i) our ability to retain key personnel from the acquired company or business and (ii) our ability to realize the anticipated benefits of the acquisition;
- our ability to introduce and sell new products that comply with current and evolving industry standards and government regulations;
- our ability to develop and maintain strategic relationships to expand into new markets;
- our ability to properly manage the growth of our business to avoid significant strains on our management and operations and disruptions to our business;
- our reliance on third parties to procure components and manufacture our products;
- our ability to accurately forecast customer demand and order the manufacture and timely delivery of sufficient product quantities;
- our reliance on sole source suppliers for some components used in our products;
- the continuing impact of uncertain global economic conditions on the demand for our products;
- our ability to be cost competitive while meeting time-to-market requirements for our customers;
- our ability to meet the product performance needs of our customers in both mobile broadband and IoT markets;
- demand for broadband wireless access to enterprise networks and the Internet;
- demand for fleet and vehicle management software-as-a-service telematics solutions;
- our dependence on wireless telecommunication operators delivering acceptable wireless services;
- the outcome of any pending or future litigation, including intellectual property litigation;
- infringement claims with respect to intellectual property contained in our products;
- our continued ability to license necessary third-party technology for the development and sale of our products;
- the introduction of new products that could contain errors or defects;
- doing business abroad, including foreign currency risks;

- our ability to make focused investments in research and development; and
- our ability to hire, retain and manage additional qualified personnel to maintain and expand our business.

The foregoing factors should not be construed as exhaustive and should be read together with the other cautionary statements included in this and other reports we file with or furnish to the Securities and Exchange Commission ("SEC"), including the information in "Item 1A. Risk Factors" in Part I of our Annual Report on Form 10-K for the year ended December 31, 2015. If one or more events related to these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may differ materially from what we anticipate.

Trademarks

"Novatel Wireless", the Novatel Wireless logo, "MiFi", "MiFi Intelligent Mobile Hotspot", "MiFi OS", "MiFi Powered", "MiFi Home", "MobiLink", "Ovation", "Expedite" and "MiFi Freedom. My Way." are trademarks or registered trademarks of Novatel Wireless, Inc. "Enfora", the Enfora logo, "Spider", "Enabling Information Anywhere", "Enabler" and "N4A" are trademarks or registered trademarks of Enfora, Inc. "FW", "Crossroads" and the Feeney Wireless logo are trademarks or registered trademarks of Feeney Wireless, LLC. "DigiCore", "Ctrack" and the Ctrack logo are trademarks or registered trademarks of DigiCore Holdings Limited. Other trademarks, trade names or service marks used in this report are the property of their respective owners.

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

The following information should be read in conjunction with the condensed consolidated financial statements and the accompanying notes included in Part I, Item 1 of this report, as well as the audited consolidated financial statements and accompanying notes and Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended December 31, 2015 contained in our Annual Report on Form 10-K for the year ended December 31, 2015.

Business Overview

We are a leader in the design and development of products and solutions that simplify IoT, delivering innovative hardware and cloud-based, software-as-a-service ("SaaS") services to carriers, distributors, retailers, original equipment manufacturers and vertical markets worldwide. Our products and solutions provide anywhere, anytime communications and analytics for consumers and businesses of all sizes, with approximately 557,000 global subscribers, including 174,000 subscribers within the fleet management vertical of telematics.

We have invented and reinvented ways in which the world stays connected and accesses information. With multiple first-to-market innovations, a strong and growing portfolio of hardware and software innovations for IoT, we have been advancing technology and driving industry transformation for over 20 years. We invented and patented the award-winning global MiFi® brand of mobile hotspots and MiFi technology platform for IoT. It is this proven expertise and commitment to quality and innovation that make us the preferred global partner of operators, distributors, system integrators, businesses and consumers.

Our Sources of Revenue

SaaS, Software and Services

Through our acquisitions of DigiCore in October 2015 and of FW in March 2015, our product portfolio was further expanded to include additional product offerings for fleet and vehicle telematics, stolen vehicle recovery, usage-based insurance, IoT integration services and solutions, and applications software and SaaS services. Our SaaS delivery platforms include Ctrack® platforms, which provide asset, fleet, vehicle, and SaaS telematics, and FW's Crossroads, which provides easy IoT device management and service enablement. We sell our SaaS, software and services solutions through our direct sales force and through distributors.

Ctrack specializes in the research, design, development, manufacturing, sales and support of technologically advanced solutions for the vehicle tracking, fleet management and insurance telematics verticals for an international client base. With more than 30 years of innovation, technical and implementation experience, Ctrack provides advanced machine-to-machine communication and telematics solutions that add value to its global base of customers with mobile assets. Ctrack's operations span over more than 50 countries on six continents with approximately 900 employees and 389,000 subscribers. Through successful global acquisitions and by identifying strong and capable distributors, Ctrack has been able to establish a strong presence in high-growth, low-penetration, developed markets such as the United Kingdom, Netherlands and Australia, and emerging markets such as Asia, Africa and Latin America.

Ctrack's end-to-end research, design, development, manufacture, sales and support of tailored solutions for customers is serviced by a global network of staff and team members. Ctrack develops a range of asset management and monitoring systems using GPS satellite positioning, GSM cellular communication systems and other advanced communication and sensor technologies. The result is products and solutions ranging from basic track-and-trace with stolen vehicle response services for the consumer market to complete integrated enterprise-level solutions for large fleet owners under the Ctrack brand.

Our SaaS, software and services customer base includes fleet transportation companies, vehicle insurance companies, public and private telecommunications entities, commercial companies, and both state and federal government agencies.

Hardware

We provide intelligent wireless hardware products for the worldwide mobile communications market. Our hardware products address multiple vertical markets for our customers including fleet and commercial telematics, after-market telematics, remote monitoring and control, security and connected home, and wireless surveillance systems. Our broad range of products principally includes intelligent mobile hotspots, wireless routers for IoT, USB modems, integrated telematics and mobile tracking hardware devices, which are supported by applications software and cloud services designed to enable customers to easily analyze data insights and also configure and manage our hardware remotely. Our products currently operate on every major cellular wireless technology platform. Our mobile hotspots are actively used by millions of customers annually to provide subscribers with secure and convenient high-speed access to corporate, public and personal information through the Internet and enterprise networks. Our wireless routers and USB modems serve as gateways to the rapidly growing and underpenetrated IoT segment. Our telematics and mobile tracking hardware devices collect and control critical vehicle data and driver behaviors, and can reliably deliver that information to the cloud, all managed by our services enablement platform that includes the N4A™ Communications and Management Software and N4A Device Manager.

We sell our intelligent mobile hotspots primarily to wireless operators either directly or through strategic relationships. Our mobile-hotspot customer base is comprised of wireless operators, including Verizon Wireless, Inc. (“Verizon Wireless”), AT&T, Inc. (“AT&T”), and Sprint Corporation (“Sprint”), as well as distributors and various companies in other vertical markets.

We sell our wireless routers for IoT and integrated telematics and mobile tracking hardware devices through our direct sales force and through distributors. The customer base for our wireless routers for IoT and integrated telematics and mobile tracking hardware devices is comprised of transportation companies, industrial companies, manufacturers, application service providers, system integrators and distributors, and enterprises in various industries, including fleet and vehicle transportation, energy and industrial automation, security and safety, medical monitoring and government.

The hardware used in our solutions is produced by contract manufacturers. Their services include component procurement, assembly, testing, quality control and fulfillment. Our contract manufacturers include AsiaTelco Technologies Co., Inventec Appliances Corporation, Hon Hai Precision Industry Co., Ltd. and Production Logix CC. Under our manufacturing agreements, contract manufacturers provide us with services including component procurement, product manufacturing, final assembly, testing, quality control and fulfillment.

Our hardware products are managed through a structured life cycle process, from identifying initial customer requirements through development and commercial introduction to eventual phase-out. During product development, emphasis is placed on innovation, time-to-market, performance, meeting industry standards and customer product specifications, ease of integration, cost reduction, manufacturability, quality and reliability.

Merger, Acquisition and Divestiture Activities

Acquisitions

DigiCore Holdings Limited (DBA Ctrack)

On June 18, 2015, we entered into a transaction implementation agreement (the “TIA”) with DigiCore. Pursuant to the terms of the TIA, we acquired 100% of the issued and outstanding ordinary shares of DigiCore for 4.40 South African Rand per ordinary share outstanding.

On October 5, 2015 (the “Closing Date”), the transaction was completed. The total purchase price was approximately $80.0 million and included (i) cash consideration of $79.4 million for all of the outstanding ordinary shares of DigiCore and the purchase of in-the-money vested stock options held by Ctrack employees on the closing date and (ii) $0.6 million for the portion of the fair value of replacement equity awards issued to Ctrack employees that related to services performed prior to the Closing Date. Upon consummation of the acquisition, DigiCore became an indirect wholly-owned subsidiary of the Company.

R.E.R. Enterprises, Inc. (DBA Feeney Wireless)

On March 27, 2015, the Company entered into an asset purchase agreement (“APA”) with FW to acquire all of the issued and outstanding shares of FW. The total consideration was approximately $24.8 million and included a cash payment at closing of approximately $9.3 million, including $1.5 million which was placed into an escrow fund to serve as partial security for the indemnification obligations of RER and its former shareholders, the Company’s assumption of $0.5 million in certain transaction-related expenses incurred by FW, and the future issuance of shares of our common stock valued at $15.0 million to RER's former shareholders, which would have been payable in March 2016.

The total consideration of $24.8 million paid by the Company for FW did not include amounts, if any, payable under an earn-out arrangement pursuant to which we may have been required to pay up to an additional $25.0 million to the former shareholders of RER contingent upon FW’s achievement of certain financial targets for the years ending December 31, 2015, 2016, and 2017 (the “Earn-Out Arrangement”).

On January 5, 2016, the Company and RER amended certain payment terms of the APA related to the Company’s acquisition of RER (the “RER Amendment”). Under the RER Amendment, the $1.5 million placed into escrow on the date of acquisition was released to RER and its former shareholders on January 8, 2016, and the $15.0 million that was payable in shares of our common stock in March 2016 will now be paid in five cash installments over a four-year period, beginning in March 2016. Under the RER Amendment, the Earn-Out Arrangement has been amended as follows: (a) any amount earned under the Earn-Out Arrangement for the achievement of financial targets for the year ended December 31, 2015 will now be paid in five cash installments over a four-year period, beginning in March 2016 and (b) in replacement of the potential earn-out contingent upon FW's achievement of certain financial targets for the years ended December 31, 2016 and 2017, we will issue to the former shareholders of RER approximately 2.9 million shares of our common stock in three equal installments over a three-year period, beginning in March 2017, contingent upon FW's retention of certain key personnel. Consideration due to former shareholders of RER under the Earn-Out Arrangement is treated as compensation expense during the service period earned.

We recognized approximately $0.8 million in expense during the six months ended June 30, 2016 in connection with the potential payment, in the form of shares of our common stock, due to the former shareholders of RER, contingent upon FW's retention of certain key personnel. As of June 30, 2016, the total amount earned pursuant to the Earn-Out Arrangement was $6.9 million, $6.1 million of which remained outstanding and is included in accrued expenses and other current liabilities and other long-term liabilities in the unaudited condensed consolidated balance sheets.

Divestiture

On April 11, 2016, we signed a definitive asset purchase agreement with Telit Technologies (Cyprus) Limited and Telit Wireless Solutions, Inc. (collectively, "Telit") pursuant to which we sold, and Telit acquired, certain hardware modules and related assets for an initial purchase price of $11.0 million in cash, which includes $9.0 million that was paid to us on the closing date of the transaction, $1.0 million that will be paid to us in equal quarterly installments over a two-year period in connection with the provision by us of certain transition services and $1.0 million that will be paid to us following the satisfaction of certain conditions by us, including the assignment of specified contracts and the delivery of certain certifications and approvals. We also have the potential to receive an additional cash payment of approximately $3.8 million from Telit related to their purchase of module product inventory from us, $1.0 million of which will be paid to us in equal quarterly installments over the two-year period following the closing date in connection with the provision by us of certain transition services. In addition to the above, we may be entitled to receive a subsequent earn-out payment following the closing of the transaction if certain conditions are met.

During the three months ended June 30, 2016, we received approximately $9.3 million in cash and recognized a gain of approximately $6.9 million in connection with the fulfillment of certain obligations pursuant to the agreement, which is included in other income (expense), net, in the unaudited condensed consolidated statements of operations. We also recorded a liability for the fair value of the obligations that have yet to be fulfilled by us, which was $3.7 million as of June 30, 2016 and is included in accrued expenses and other current liabilities in the unaudited condensed consolidated balance sheets, and a receivable for the remainder of the cash to be received from Telit pursuant to the agreement, which was $5.4 million as of June 30, 2016 and is included in other assets and prepaid expenses and other in the unaudited condensed consolidated balance sheets.

Factors Which May Influence Future Results of Operations

Net Revenues. We believe that our future net revenues will be influenced largely by the speed and breadth of the demand for wireless access to data through the use of next generation networks, including demand for 3G and 4G products, 3G and 4G data access services, demand for fleet and vehicle management SaaS telematics solutions, customer acceptance of our new products that address these markets, including our MiFi line of intelligent mobile hotspots, and our ability to meet customer demand. Factors that could potentially affect customer demand for our products include the following:

- economic environment and related market conditions;
- increased competition from other wireless data device suppliers and fleet and vehicle telematics solutions, as well as suppliers of emerging devices that contain a wireless data access feature;
- demand for broadband access services and networks;
- rate of change to new products;
- decreased demand for 3G and 4G products;
- product pricing; and
- changes in technologies.

Our revenues are also significantly dependent upon the availability of materials and components used in our products.

We anticipate introducing additional products during the next twelve months, including 4G broadband-access products, SaaS telematics solutions and additional service offerings. We continue to develop and maintain strategic relationships with wireless and computing industry leaders like QUALCOMM Incorporated, Verizon Wireless, AT&T, Sprint and major software vendors. Through strategic relationships, we have been able to maintain market penetration by leveraging the resources of our channel partners, including their access to distribution resources, increased sales opportunities and market opportunities.

Cost of Net Revenues. All costs associated with our contract manufacturers, as well as distribution, fulfillment and repair services, are included in our cost of net revenues. Cost of net revenues also includes costs of delivering SaaS services, warranty costs, amortization of intangible assets, royalties, operations overhead, costs associated with our cancellation of purchase orders, costs related to outside services and costs related to inventory adjustments, including the FW and Ctrack acquisition-related amortization of the fair value of inventory, as well as any write downs for excess and obsolete inventory. Inventory adjustments are impacted primarily by demand for our products, which is influenced by the factors discussed above.

Operating Costs and Expenses. Our operating costs consist of three primary categories: research and development; sales and marketing; and general and administrative costs.

Research and development is at the core of our ability to produce innovative, leading-edge products. These expenses consist primarily of engineers and technicians who design and test our highly complex products and the procurement of testing and certification services. We expect to continue to incur these expenses in future periods prior to recognizing net revenues from sales of these products.

Sales and marketing expenses consist primarily of our sales force and product-marketing professionals. In order to maintain strong sales relationships, we provide co-marketing, trade show support, product training and demo units for merchandising. We are also engaged in a wide variety of activities, such as awareness and lead generation programs as well as product marketing. Other marketing initiatives include public relations, seminars and co-branding with partners.

General and administrative expenses include primarily corporate functions such as accounting, human resources, legal, administrative support, and professional fees. This category also includes the expenses needed to operate as a publicly-traded company, including compliance with the Sarbanes-Oxley Act of 2002, as amended, SEC filings, stock exchange fees, and investor relations expense. Although general and administrative expenses are not directly related to revenue levels, certain expenses such as legal expenses and provisions for bad debts may cause significant volatility in future general and administrative expenses.

We have undertaken certain restructuring activities and cost reduction initiatives in an effort to better align our organizational structure and costs with our strategy. Restructuring charges consist primarily of severance costs incurred in connection with the reduction of our workforce and facility exit related costs.

As part of our business strategy, we review, and intend to continue to review, acquisition opportunities that we believe would be advantageous or complementary to the development of our business, such as the acquisitions of FW and Ctrack. Given our current cash position and recent losses, any additional acquisitions we make would likely involve issuing stock and/or borrowing additional funds in order to provide the purchase consideration for the acquisitions. If we make any additional acquisitions, we may incur substantial expenditures in conjunction with the acquisition process and the subsequent assimilation of any acquired business, products, technologies or personnel.

Critical Accounting Policies and Estimates

In the notes to our consolidated financial statements and in "Item 7-Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our 2015 Annual Report on Form 10-K, we have disclosed those accounting policies that we consider to be significant in determining our results of operations and financial condition. There have been no material changes to those policies that we consider to be significant since the filing of our 2015 Annual Report on Form 10-K. The accounting principles used in preparing our unaudited condensed consolidated financial statements conform in all material respects to accounting principles generally accepted in the U.S. ("GAAP").

Results of Operations

Three Months Ended June 30, 2016 Compared to Three Months Ended June 30, 2015

Net revenues. Net revenues for the three months ended June 30, 2016 were $62.8 million, an increase of $11.1 million, or 21.6%, compared to the same period in 2015.

The following table summarizes net revenues by our two product categories (in thousands):

	Three Months Ended June 30,		Change	
	2016	2015	$	%
Product Category				
Hardware	$ 49,145	$ 49,272	$ (127)	(0.3)%
SaaS, Software and Services	13,666	2,395	11,271	470.6 %
Total	$ 62,811	$ 51,667	$ 11,144	21.6 %

Hardware. The decrease in hardware net revenues is primarily a result of the divestiture of certain hardware modules to Telit, partially offset by the acquisition of Ctrack with its hardware net revenues.

SaaS, software and services. The increase in SaaS, software and services net revenues is primarily a result of our acquisition of Ctrack with its subscription-based solutions.

Cost of net revenues. Cost of net revenues for the three months ended June 30, 2016 was $39.6 million, or 63.0% of net revenues, as compared to $36.3 million, or 70.3% of net revenues for the same period in 2015.

The following table summarizes cost of net revenues by our two product categories (in thousands):

	Three Months Ended June 30,		Change	
	2016	2015	$	%
Product Category				
Hardware	$ 35,758	$ 35,775	$ (17)	— %
SaaS, software and services	3,815	569	3,246	570.5 %
Total	$ 39,573	$ 36,344	$ 3,229	8.9 %

Hardware. The decrease in hardware cost of net revenues is primarily a result of the divestiture of certain hardware modules to Telit, partially offset by the acquisition of Ctrack with its hardware net revenues.

SaaS, software and services. The increase in SaaS, software and services cost of net revenues is primarily a result of our acquisition of Ctrack and the associated increase in SaaS, software and services net revenues.

Gross profit. Gross profit for the three months ended June 30, 2016 was $23.2 million, or a gross margin of 37.0%, compared to $15.3 million, or a gross margin of 29.7% for the same period in 2015. The increase in gross profit was primarily attributable to the changes in net revenues and cost of net revenues as discussed above. The increase in gross margin was primarily a result of the diversification of the revenue base toward the more highly profitable SaaS, software and services business.

Research and development expenses. Research and development expenses for the three months ended June 30, 2016 were $8.3 million, or 13.2% of net revenues, compared to $9.7 million, or 18.8% of net revenues, for the same period in 2015. The decrease was primarily due to reduction of headcount and associated expenses as we rationalized our product portfolio to focus on the more profitable products, partially offset by our acquisition of Ctrack with their associated research and development expenses.

Sales and marketing expenses. Sales and marketing expenses for the three months ended June 30, 2016 were $8.4 million, or 13.3% of net revenues, compared to $4.2 million, or 8.2% of net revenues, for the same period in 2015. The increase was primarily a result of the acquisition of Ctrack, partially offset by our cost containment initiatives.

General and administrative expenses. General and administrative expenses for the three months ended June 30, 2016 were $10.0 million, or 15.9% of net revenues, compared to $9.0 million, or 17.4% of net revenues, for the same period in 2015.

The increase was primarily a result of the acquisition of Ctrack, partially offset by our reduced acquisition-related expenses and cost containment initiatives.

Amortization of purchased intangible assets. The amortization of purchased intangible assets for the three months ended June 30, 2016 and 2015 was $1.0 million and $0.7 million, respectively. Amortization of purchased intangible assets for the three months ended June 30, 2016 includes the amortization of intangible assets purchased through the acquisitions of Ctrack and FW. Amortization of purchased intangible assets for the three months ended June 30, 2015 includes the amortization of intangible assets purchased through the acquisition of FW.

Restructuring charges. Restructuring expenses for the three months ended June 30, 2016 were $0.3 million and primarily consisted of severance costs incurred in connection with the reduction of our workforce, as well as facility exit related costs. There were no restructuring charges during the three months ended June 30, 2015.

Interest expense, net. Interest expense, net, for the three months ended June 30, 2016 was $3.9 million compared to $0.8 million for the same period in 2015. The increase in interest expense is primarily a result of the interest expense related to the 5.50% convertible senior notes due on June 15, 2020 that we issued in June 2015 (the "Convertible Notes"), which includes the amortization of the debt discount and debt issuance costs.

Other income (expense), net. Other income, net, for the three months ended June 30, 2016 was $5.8 million, compared to other expense, net of $0.1 million for the same period in 2015. The increase in other income is a result of our sale of certain hardware modules and other related assets to Telit, partially offset by an unrealized foreign currency loss on an outstanding intercompany loan that Ctrack has with one of its wholly-owned subsidiaries, which is re-measured at each reporting period, and the effect of exchange rates on cash and cash equivalents during the period.

Income tax provision (benefit). Income tax benefit for the three months ended June 30, 2016 was $10,000 as compared to an income tax provision of $0.1 million for the same period in 2015. The decrease in income tax provision is primarily due to a decrease in our valuation allowance related to the purchase accounting for certain intangible assets, partially offset by an increase in income tax provision due to certain of our profitable subsidiaries in foreign jurisdictions.

Net income attributable to noncontrolling interests. For the three months ended June 30, 2016, net income attributable to noncontrolling interests was $8,000. We did not have any noncontrolling interests during the three months ended June 30, 2015.

Six Months Ended June 30, 2016 Compared to Six Months Ended June 30, 2015

Net revenues. Net revenues for the six months ended June 30, 2016 were $129.8 million, an increase of $24.6 million, or 23.4%, compared to the same period in 2015.

The following table summarizes net revenues by our two product categories (in thousands):

	Six Months Ended June 30,		Change	
	2016	**2015**	**$**	**%**
Product Category				
Hardware	$ 103,306	$ 102,283	$ 1,023	1.0%
SaaS, software and services	26,449	2,878	23,571	819.0%
Total	$ 129,755	$ 105,161	$ 24,594	23.4%

Hardware. The increase in hardware net revenues is primarily a result of the acquisitions of Ctrack and FW, partially offset by the sale of certain hardware modules to Telit and the ongoing focus on our most profitable products.

SaaS, software and services. The increase in SaaS, software and services net revenues is primarily a result of our acquisitions of Ctrack and FW.

Cost of net revenues. Cost of net revenues for the six months ended June 30, 2016 was $85.3 million, an increase of $8.1 million, or 10.5%, compared to $77.2 million for the same period in 2015.

The following table summarizes cost of net revenues by our two product categories (in thousands):

	Six Months Ended June 30,		Change	
	2016	**2015**	**$**	**%**
Product Category				
Hardware	$ 76,627	$ 76,598	$ 29	—%
SaaS, software and services	8,707	606	8,101	1,336.8%
Total	$ 85,334	$ 77,204	$ 8,130	10.5%

Hardware. The increase in hardware cost of net revenues is primarily a result of the acquisitions of Ctrack and FW, partially offset by the sale of certain hardware modules to Telit.

SaaS, software and services. The increase in SaaS, software and services cost of net revenues is primarily a result of our acquisitions of Ctrack and FW and the associated increase in SaaS, software and services net revenues.

Gross profit. Gross profit for the six months ended June 30, 2016 was $44.4 million, or a gross margin of 34.2%, compared to $28.0 million, or a gross margin of 26.6%, for the same period in 2015. The increase in gross profit was primarily a result of the changes in net revenues and cost of net revenues as discussed above. The increase in gross margin was primarily a result of the diversification of the revenue base toward more highly profitable SaaS, software and services business.

Research and development expenses. Research and development expenses for the six months ended June 30, 2016 were $16.3 million, or 12.6% of net revenues, compared to $20.4 million, or 19.4% of net revenues, for the same period in 2015. The decrease was primarily due to reduction of headcount and associated expenses as we rationalized our product portfolio as well as the lack of a retention bonus that was paid in 2015, partially offset by our acquisitions of Ctrack and FW with their associated research and development expenses.

Sales and marketing expenses. Sales and marketing expenses for the six months ended June 30, 2016 were $16.1 million, or 12.4% of net revenues, compared to $8.5 million, or 8.0% of net revenues, for the same period in 2015. The increase was primarily a result of the acquisitions of Ctrack and FW, partially offset by our cost containment initiatives and the lack of a retention bonus that was paid in 2015.

General and administrative expenses. General and administrative expenses for the six months ended June 30, 2016 were $20.2 million, or 15.6% of net revenues, compared to $14.4 million, or 13.6% of net revenues, for the same period in 2015. General and administrative expenses increased for the six months ended June 30, 2016 primarily a result of the acquisitions of Ctrack and FW, partially offset by our cost containment initiatives and the lack of a retention bonus that was paid in 2015.

Amortization of purchased intangible assets. The amortization of purchased intangible assets for the six months ended June 30, 2016 and 2015 was $1.9 million and $0.8 million, respectively. Amortization of purchased intangible assets for the six months ended June 30, 2016 includes the amortization of intangible assets purchased through the acquisitions of Ctrack and FW. Amortization of purchased intangible assets for the six months ended June 30, 2015 includes the amortization of intangible assets purchased through the acquisition of FW for the period following the March 27, 2015 date of acquisition through June 30, 2015.

Restructuring charges. Restructuring expenses for the six months ended June 30, 2016 were $0.9 million and predominantly consisted of severance costs incurred in connection with the reduction of our workforce, as well as facility exit related costs. During the six months ended June 30, 2015, we recorded a reduction of $0.2 million in restructuring charges, primarily related to a re-evaluation of our expected remaining restructuring accrual for severance and facility exit related costs.

Interest expense, net. Interest expense, net for the six months ended June 30, 2016 was $7.8 million, compared to $0.9 million for the same period in 2015. The increase in interest expense is primarily a result of the interest expense related to the Convertible Notes that we issued in June 2015, which includes the amortization of the debt discount and debt issuance costs.

Other income (expense), net. Other income, net, for the six months ended June 30, 2016 was $4.5 million, compared to other expense, net of $0.1 million for the same period in 2015. The increase in other income is a result of our sale of certain hardware modules and other related assets to Telit, partially offset by an unrealized foreign currency loss on an outstanding intercompany loan that Ctrack has with one of its wholly-owned subsidiaries, which is re-measured at each reporting period, and the effect of exchange rates on cash and cash equivalents during the period.

Income tax provision (benefit). Income tax provision for the six months ended June 30, 2016 was $0.3 million as compared to $0.1 million for the same period in 2015. The increase in income tax provision is primarily due to certain of our profitable subsidiaries in foreign jurisdictions, partially offset by a decrease in income tax provision primarily due to a decrease in our valuation allowance related to the purchase accounting for certain intangible assets.

Net income attributable to noncontrolling interests. For the six months ended June 30, 2016, net income attributable to noncontrolling interests was $13,000. We did not have any noncontrolling interests during the six months ended June 30, 2015.

Liquidity and Capital Resources

Our principal sources of liquidity are our existing cash and cash equivalents and cash generated from operations.

Revolving Credit Facility

On October 31, 2014, we entered into a senior secured revolving credit facility in the amount of $25.0 million with Wells Fargo Bank, National Association (the “Revolver”). On November 17, 2015, the Revolver was amended to increase the maximum borrowing capacity to $48.0 million. The amount of borrowings that may be made under the Revolver are based on a borrowing base and are comprised of a specified percentage of eligible receivables. If, at any time during the term of the Revolver, the amount of borrowings outstanding under the Revolver exceeds the borrowing base then in effect, we would be required to repay such borrowings in an amount sufficient to eliminate such excess. The Revolver includes $3.0 million available for letters of credit, $1.0 million of which was available for letters of credit at June 30, 2016. As of June 30, 2016, there was no outstanding balance on the Revolver. Based on our eligible receivables at June 30, 2016, we have available borrowings of approximately $7.8 million.

Convertible Senior Notes

On June 10, 2015, we issued $120.0 million of Convertible Notes, which are governed by the terms of an indenture between us, as issuer, and Wilmington Trust, National Association, as trustee. The Convertible Notes are senior unsecured obligations and bear interest at a rate of 5.50% per year, payable semi-annually in arrears on June 15 and December 15 of each year, beginning on December 15, 2015. The Convertible Notes will mature on June 15, 2020, unless earlier repurchased or converted. The Convertible Notes will be convertible into cash, shares of our common stock, or a combination thereof, at our election, at an initial conversion price of $5.00 per share of our common stock.

RER Amendment

Pursuant to the RER Amendment, we are obligated to pay a total of $15.0 million in five cash installments over a four-year period, beginning in March 2016. We are also obligated to pay a total of approximately $6.1 million in cash over a four-year period, beginning in March 2016, related to the Earn-Out Arrangement. We believe that our cash and cash equivalents and our availability under the Revolver, together with anticipated cash flows from operations, will be sufficient to meet these obligations.

Historical Cash Flows

The following table summarizes our condensed consolidated statements of cash flows for the periods indicated (in thousands):

	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Net cash used in operating activities	$ (768)	$ (19,180)
Net cash provided by (used in) investing activities	6,919	(98,174)
Net cash provided by (used in) financing activities	(188)	117,628
Effect of exchange rates on cash and cash equivalents	8	(214)
Net increase in cash and cash equivalents	5,971	60
Cash and cash equivalents, beginning of period	12,570	17,853
Cash and cash equivalents, end of period	$ 18,541	$ 17,913

Operating activities. Net cash used in operating activities was $0.8 million for the six months ended June 30, 2016 compared to $19.2 million for the same period in 2015. Net cash used in operating activities for the six months ended June 30, 2016 was primarily attributable to the net loss in the period, a gain on the divestiture of certain hardware modules and related assets, and a decrease in accounts payable, partially offset by a decrease in accounts receivable and inventory and the non-cash charges for depreciation and amortization, including the amortization of the acquisition-related inventory step up and debt discount and debt issuance costs, the provision for excess and obsolete inventory and share-based compensation expense. Net cash used in operating activities for the six months ended June 30, 2015 was primarily attributable to the net loss in the period along with the decrease in accounts payable and increase in accounts receivable, partially offset by the non-cash charges for depreciation and amortization, including the amortization of the acquisition-related inventory step up and debt discount and debt issuance costs, and share-based compensation expense.

Investing activities. Net cash provided by investing activities during the six months ended June 30, 2016 was $6.9 million compared to $98.2 million used in investing activities for the same period in 2015. Cash provided by investing activities during the six months ended June 30, 2016 was primarily related to the sale of certain hardware modules and related assets as well as the sale of certain short-term investments, partially offset by the capitalization of certain costs related to the research and development of software to be sold in our solutions. Cash used in investing activities during the six months ended June 30, 2015 was primarily related to our acquisition of FW and our then-pending acquisition of Ctrack.

Financing activities. Net cash used in financing activities during the six months ended June 30, 2016 was $0.2 million, compared to net cash provided by financing activities of $117.6 million for the same period in 2015. Net cash used in financing activities during the six months ended June 30, 2016 was primarily related to payments on capital lease obligations, partially offset by proceeds from the May 2016 purchases under our employee stock purchase plan. Net cash provided by financing activities during the six months ended June 30, 2015 was primarily related to proceeds received from the issuance of the Convertible Notes and exercise of a warrant, partially offset by the repayment on the Revolver, the payment of issuance costs related to the Convertible Notes and the payoff of the FW assumed liabilities.

Other Liquidity Needs

As of June 30, 2016, we had available cash and cash equivalents totaling $18.5 million and working capital of $35.4 million. We also had availability for borrowings under the Revolver. Borrowings under this facility are secured by a first priority lien on substantially all of our assets and the assets of certain of our subsidiaries, subject to certain exceptions and permitted liens. At June 30, 2016, there was no outstanding balance on the Revolver. Based on our eligible receivables at June 30, 2016, we have available borrowings of approximately $7.8 million. In addition, in the second quarter of 2016, the Company received approximately $9.3 million related to the closing of the asset purchase agreement with Telit, a portion of which was used to repay the outstanding balance on the Revolver.

Our ability to transition to attaining profitable operations is dependent upon achieving a level of revenues adequate to support our evolving cost structure. If events or circumstances occur such that we do not meet our operating plan as expected, we may be required to reduce planned research and development activities, incur additional restructuring charges or reduce other operating expenses which could have an adverse impact on our ability to achieve our intended business objectives. We believe that our cash and cash equivalents and our availability under the Revolver, together with anticipated cash flows from operations, will be sufficient to meet our working capital needs for the next twelve months.

Our liquidity could be impaired if there is any interruption in our business operations, a material failure to satisfy our contractual commitments or a failure to generate revenue from new or existing products.

We may raise additional funds to accelerate development of new and existing services and products, to respond to competitive pressures or to acquire complementary products, businesses or technologies. There can be no assurance that any required additional financing will be available on terms favorable to us, or at all. In addition, in order to obtain additional borrowings we must comply with certain requirements under the Revolver. If additional funds are raised by the issuance of equity securities, our shareholders could experience dilution of their ownership interests and securities issued may have rights senior to those of the holders of our common stock. If additional funds are raised by the issuance of debt securities, we may be subject to certain limitations on our operations. If adequate funds are not available or not available on acceptable terms, we may be unable to take advantage of acquisition opportunities, develop or enhance products or respond to competitive pressures, any of which could have a material adverse effect on our business, financial condition and results of operations.

Contractual Obligations and Commercial Commitments

There have been no material changes to our contractual obligations and commercial commitments from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2015, except for the lease discussed below.

On June 10, 2016, we entered into a lease agreement for approximately 41,400 square feet in San Diego, CA to serve as the Company's new corporate headquarters. The lease will commence on December 15, 2016 and has a term of approximately 36 months. The monthly rent expense for this lease agreement will be approximately $0.1 million.

Off-Balance Sheet Arrangements

We do not engage in any off-balance sheet financing activities.

Item 3. *Quantitative and Qualitative Disclosures About Market Risk*

Market risk is the risk of potential economic loss principally arising from adverse changes in the fair value of financial instruments. The major components of market risk affecting us are interest rate risk, global credit risk and foreign currency exchange rate risk.

Since December 31, 2015, there have been no material changes in the quantitative or qualitative aspect of our market risk profile. For additional information regarding the Company's exposure to certain market risks, see Item 7A, "*Quantitative and Qualitative Disclosures About Market Risk*" in our Annual Report on Form 10-K for the year ended December 31, 2015.

Item 4. *Controls and Procedures*

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures, as defined in Rule 13a-15(e) promulgated under the Exchange Act, that are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. The Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of June 30, 2016, the end of the period covered by this report. Based on the foregoing, our principal executive officer and principal financial and accounting officer concluded that our disclosure controls and procedures were effective as of June 30, 2016.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting, as defined in Rule 13a-15(f) promulgated under the Exchange Act, during the three months ended June 30, 2016, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. *Legal Proceedings.*

The disclosure in Note 10, *Commitments and Contingencies*, in the accompanying unaudited condensed consolidated financial statements includes a discussion of our legal proceedings and is incorporated herein by reference.

The Company is also engaged in various other legal actions arising in the ordinary course of our business and, while there can be no assurance, the Company currently believes that the ultimate outcome of these other legal actions will not have a material adverse effect on its business, results of operations, financial condition or cash flows.

Item 1A. *Risk Factors.*

There have been no material changes in our risk factors from those disclosed in Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2015, except for the risk factors listed below.

Our corporate development activities could disrupt our business and harm our financial condition and results of operations.

As part of our business strategy, we review and intend to continue to review, acquisition and divestiture opportunities that we believe would be advantageous or complementary to the development of our business. Based on these opportunities, we may acquire additional businesses, assets, or technologies in the future. Alternatively, we may divest businesses, assets or technologies. All of these activities are subject to risks and uncertainties and could disrupt or harm our business. For example, if we make an acquisition, we could take any or all of the following actions, any one of which could adversely affect our business, financial condition, results of operations or stock price:

- use a substantial portion of our available cash;
- incur substantial debt, which may not be available to us on favorable terms and may adversely affect our liquidity;
- issue equity or equity-based securities that would dilute the percentage ownership of existing stockholders;
- assume contingent liabilities; and
- take substantial charges in connection with acquired assets.

Acquired businesses may have liabilities or adverse operating issues that we fail to discover through due diligence prior to the acquisition. In particular, to the extent that prior owners of any acquired businesses or properties failed to comply with or otherwise violated applicable laws or regulations, or failed to fulfill their contractual obligations to customers, we, as the successor owner, may be financially responsible for these violations and failures and may suffer reputational harm or otherwise be adversely affected. Acquisitions also frequently result in the recording of goodwill and other intangible assets which are subject to potential impairment in the future that could harm our financial results. In addition, if we finance acquisitions by issuing convertible debt or equity securities, our existing stockholders may be diluted, which could affect the market price of our stock. Acquisitions and/or the related equity financings could also impact our ability to utilize our net operating loss carryforwards.

Numerous other risks of engaging in acquisitions include: difficulties in assimilating acquired operations, products, technologies and personnel; unanticipated costs; diversion of management's attention from existing operations; adverse effects on existing business relationships with suppliers and customers; risks of entering markets in which we have limited or no prior experience; and potential loss of key employees from either our existing business or the acquired organization. Acquisitions may result in substantial accounting charges for restructuring and other expenses, amortization of purchased technology and intangible assets and stock-based compensation expense, any of which could materially adversely affect our operating results.

Conversely, there are many risks associated with corporate divestitures, including the proposed divestiture of our telematics hardware assets or the recent sale of portions of our IoT modules business to Telit. The numerous risks of engaging in sales of assets, technology or portions of our business include: difficulties separating divested operations from ongoing operations; loss of sales, marketing and operating synergies; loss of key employees and know-how related to the on-going portions of the business; unanticipated costs; diversion of management's attention from existing operations; and adverse effects on existing business relationships with suppliers and customers. Similar to discontinued operations, divestitures may be disruptive and result in substantial accounting charges for any related restructuring.

As a result, if we fail to properly evaluate or implement acquisitions or divestitures, including the proposed divestiture of our telematics hardware assets and the recent sale of portions of our IoT modules business to Telit, we may not achieve the anticipated benefits of any such transactions, and we may incur unanticipated costs, either of which could harm our business and operating results.

We currently rely on third parties to manufacture and warehouse many of our products, which exposes us to a number of risks and uncertainties outside our control.

We currently outsource the manufacturing of all of our mobile computing solutions and many of our IoT devices to companies including: AsiaTelco Technologies Co., Inventec Appliances Corporation, Hon Hai Precision Industry Co., Ltd. and Production Logix CC. In addition, we recently sold portions of our IoT modules business to Telit, and we now rely on Telit to supply us with modules that are critical to the functionality of some of our telematics hardware devices, including devices sold or deployed by Ctrack. If one of these third-party manufacturers were to experience delays, disruptions, capacity constraints or quality control problems in its manufacturing operations, product shipments to our customers could be delayed or rejected or our customers could consequently elect to cancel the underlying product purchase order. These disruptions would negatively impact our revenues, competitive position and reputation. Further, if we are unable to manage successfully our relationship with a manufacturer, the quality and availability of our products may be harmed. None of our third-party manufacturers is obligated to supply us with a specific quantity of products, except as may be provided in a particular purchase order that we have submitted to, and that has been accepted by, such third-party manufacturer. Our third-party manufacturers could, under some circumstances, decline to accept new purchase orders from us or otherwise reduce their business with us. If a manufacturer stopped manufacturing our products for any reason or reduced manufacturing capacity, we may be unable to replace the lost manufacturing capacity on a timely and comparatively cost effective basis, which would adversely impact our operations. In addition, we generally do not enter into long-term contracts with our manufacturers. As a result, we are subject to price increases due to availability, and subsequent price volatility, in the marketplace of the components and materials needed to manufacture our products. If a third-party manufacturer were to negatively change the product pricing and other terms under which it agrees to manufacture for us and we were unable to locate a suitable alternative manufacturer, our manufacturing costs could significantly increase.

Because we outsource the manufacturing of so many of our products, the cost, quality and availability of third-party manufacturing operations is essential to the successful production and sale of our products. Our reliance on third-party manufacturers exposes us to a number of risks which are outside our control, including:

- unexpected increases in manufacturing costs;
- interruptions in shipments if a third-party manufacturer is unable to complete production in a timely manner;
- inability to control quality of finished products;
- inability to control delivery schedules;
- inability to control production levels and to meet minimum volume commitments to our customers;
- inability to control manufacturing yield;
- inability to maintain adequate manufacturing capacity; and
- inability to secure adequate volumes of acceptable components at suitable prices or in a timely manner.

Although we promote ethical business practices and our operations personnel periodically visit and monitor the operations of our manufacturers, we do not control the manufacturers or their labor practices. If our current manufacturers, or any other third-party manufacturer which we may use in the future, violate U.S. or foreign laws or regulations, we may be subjected to extra duties, significant monetary penalties, adverse publicity, the seizure and forfeiture of products that we are attempting to import or the loss of our import privileges. The effects of these factors could render the conduct of our business in a particular country undesirable or impractical and have a negative impact on our operating results.

We depend on sole source suppliers for some components used in our products and solutions. The availability and sale of those products and solutions would be harmed if any of these suppliers is not able to meet our demand and production schedule and alternative suitable components are not available on acceptable terms, if at all.

Our products contain a variety of components, some of which are procured from single suppliers. In addition, some of our vehicle tracking or fleet management solutions rely on devices procured from single suppliers, including Telit, which recently purchased a portion of our IoT modules business from us. From time to time, certain components used in our products or certain products used in our solutions have been in short supply or their anticipated commercial introduction has been delayed or their availability has been subsequently interrupted for reasons outside our control. If there is a shortage or interruption in the availability to us of any such components or products and we cannot timely obtain a commercially and technologically suitable substitute or make sufficient and timely design or other modifications to permit the use of such a substitute component or product, we may not be able to timely deliver sufficient quantities of our products or solutions to satisfy our contractual obligations and particular revenue expectations. Moreover, even if we timely locate a substitute part or product, but its price materially exceeds the original cost of the component or product, then our results of operations would be adversely affected.

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

None.

Item 3. ***Defaults Upon Senior Securities.***

None.

Item 4. ***Mine Safety Disclosures.***

Not applicable.

Item 5. ***Other Information.***

None.

Item 6. ***Exhibits.***

Exhibit Number	Description
2.1*	Agreement and Plan of Merger, dated March 27, 2015, by and among Novatel Wireless, Inc., Duck Acquisition, Inc., R.E.R. Enterprises, Inc., the stockholders of R.E.R. Enterprises, Inc. and Ethan Ralston, as the representative of the stockholders of R.E.R. Enterprises, Inc. (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K, filed April 1, 2015).
2.2	Amendment No. 1 to Agreement and Plan of Merger, dated January 5, 2016, by and among Novatel Wireless, Inc., Duck Acquisition, Inc., R.E.R. Enterprises, Inc., certain stockholders of R.E.R. Enterprises, Inc. and Ethan Ralston, as the representative of the R.E.R. stockholders (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K, filed January 11, 2016).
2.3*	Transaction Implementation Agreement, dated June 18, 2015, by and between Novatel Wireless, Inc. and DigiCore Holdings Limited (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K, filed June 24, 2015).
2.4*	Asset Purchase Agreement, dated April 11, 2016, by and among Novatel Wireless Inc. and Telit Technologies (Cyprus) Limited and Telit Wireless Solutions, Inc. (incorporated by reference to Exhibit 2.5 to the Company's Quarterly Report on Form 10-Q, filed May 10, 2016).
3.1	Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Company's Annual Report on Form 10-K405 for the year ended December 31, 2000, filed March 27, 2001).
3.2	Amendment to Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2002, filed November 14, 2002).
3.3	Certificate of Amendment to Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.2 to the Company's Amendment No. 1 to Form 10-K on Form 10-K/A for the year ended December 31, 2003, filed March 31, 2004).
3.4	Certificate of Amendment to Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.4 to the Company's Annual Report on Form 10-K for the year ended December 31, 2014, filed March 10, 2015).
3.5	Certificate of Amendment to Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed September 3, 2015).
3.6	Amended and Restated Certificate of Designation of Series A Convertible Preferred Stock (incorporated by reference to Exhibit 3.4 to the Company's Amendment No. 1 to Form 10-K on Form 10-K/A for the year ended December 31, 2003, filed March 31, 2004).
3.7	Certificate of Designation of Series B Convertible Preferred Stock (incorporated by reference to Exhibit 3.5 to the Company's Annual Report on Form 10-K/A for the year ended December 31, 2003, filed March 31, 2004).
3.8	Certificate of Designation of Series C Convertible Preferred Stock (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed September 8, 2014).
3.9	Second Amended and Restated Bylaws (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed February 19, 2015).
31.1**	Certification of our Principal Executive Officer adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2**	Certification of our Principal Financial Officer adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101**	The following financial statements and footnotes from the Novatel Wireless, Inc. Quarterly Report on Form 10-Q for the quarter ended June 30, 2016 formatted in eXtensible Business Reporting Language (XBRL): (i) Condensed Consolidated Balance Sheets; (ii) Condensed Consolidated Statements of Operations; (iii) Condensed Consolidated Statements of Comprehensive Loss; (iv) Condensed Consolidated Statements of Cash Flows; and (v) the Notes to Condensed Consolidated Financial Statements.

Exhibit Number	Description
*	Certain schedules and exhibits to this agreement have been omitted in accordance with Item 601(b)(2) of Regulation S-K. A copy of any omitted schedule and/or exhibit will be furnished supplementally to the SEC upon request.
**	Filed herewith

SIGNATURES

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

Date: August 5, 2016

Novatel Wireless, Inc.

By: /s/ SUE SWENSON

Sue Swenson
Chief Executive Officer

By: /s/ MICHAEL NEWMAN

Michael Newman
Chief Financial Officer

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

Pursuant to Rule 13a-14(a) adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Sue Swenson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Novatel Wireless, 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: August 5, 2016

/s/ SUE SWENSON

Sue Swenson

Chief Executive Officer
(principal executive officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

Pursuant to Rule 13a-14(a) adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Michael Newman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Novatel Wireless, 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: August 5, 2016

/s/ MICHAEL NEWMAN

Michael Newman

Chief Financial Officer
(principal financial officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350

AS ADOPTED PURSUANT TO SECTION 906

OF THE SARBANES-OXLEY ACT OF 2002

I, Sue Swenson, Chief Executive Officer of Novatel Wireless, Inc. (the "Company"), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- the Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2016 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the periods presented therein.

Date: August 5, 2016

/s/ SUE SWENSON

Sue Swenson

Chief Executive Officer
(principal executive officer)

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

I, Michael Newman, Chief Financial Officer of Novatel Wireless, Inc. (the “Company”), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- the Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2016 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the periods presented therein.

Date: August 5, 2016

/s/ MICHAEL NEWMAN

Michael Newman

Chief Financial Officer
(principal financial officer)