UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended September 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 x 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). x 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	x
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 x

The number of shares of the registrant's common stock outstanding as of November 2, 2016 was 53,955,341.

PART I—FINANCIAL INFORMATION

Item 1. ***Financial Statements***

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

	September 30, 2016	December 31, 2015
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 17,165	$ 12,570
Accounts receivable, net of allowance for doubtful accounts of $812 at September 30, 2016 and $601 at December 31, 2015	27,497	35,263
Short-term investments	—	1,267
Inventories	39,970	55,837
Prepaid expenses and other	12,390	6,039
Total current assets	97,022	110,976
Property, plant and equipment, net of accumulated depreciation of $65,154 at September 30, 2016 and $62,832 at December 31, 2015	7,820	8,812
Rental assets, net of accumulated depreciation of $2,057 at September 30, 2016 and $1,034 at December 31, 2015	6,582	6,155
Intangible assets, net of accumulated amortization of $22,802 at September 30, 2016 and $17,380 at December 31, 2015	41,007	43,089
Goodwill	33,117	29,520
Other assets	36	201
Total assets	$ 185,584	$ 198,753
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 32,397	$ 35,286
Accrued expenses and other current liabilities	37,091	25,613
DigiCore bank facilities	2,702	3,313
Total current liabilities	72,190	64,212
Long-term liabilities:		
Convertible senior notes, net	88,796	82,461
Revolving credit facility	—	—
Deferred tax liabilities, net	3,453	3,475
Other long-term liabilities	13,386	18,142
Total liabilities	177,825	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 September 30, 2016 and December 31, 2015, respectively, 53,929,603 and 53,165,024 shares issued and outstanding at September 30, 2016 and December 31, 2015, respectively	54	53
Additional paid-in capital	506,141	502,337
Accumulated other comprehensive loss	(1,868)	(8,507)
Accumulated deficit	(496,623)	(463,451)
Total stockholders' equity attributable to Novatel Wireless, Inc.	7,704	30,432
Noncontrolling interests	55	31
Total stockholders' equity	7,759	30,463
Total liabilities and stockholders' equity	$ 185,584	$ 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 September 30,		Nine Months Ended September 30,	
	2016	**2015**	**2016**	**2015**
Net revenues:				
Hardware	$ 46,096	$ 52,049	$ 149,402	$ 154,332
SaaS, software and services	14,785	2,219	41,234	5,097
Total net revenues	60,881	54,268	190,636	159,429
Cost of net revenues:				
Hardware	32,768	39,155	109,395	115,753
SaaS, software and services	5,189	645	13,896	1,251
Total cost of net revenues	37,957	39,800	123,291	117,004
Gross profit	22,924	14,468	67,345	42,425
Operating costs and expenses:				
Research and development	7,942	7,687	24,248	28,135
Sales and marketing	7,953	3,948	24,062	12,403
General and administrative	14,551	9,110	34,744	23,462
Amortization of purchased intangible assets	1,008	273	2,912	1,096
Impairment of purchased intangible assets	2,594	—	2,594	—
Restructuring charges, net of recoveries	794	953	1,685	789
Total operating costs and expenses	34,842	21,971	90,245	65,885
Operating loss	(11,918)	(7,503)	(22,900)	(23,460)
Other income (expense):				
Non-cash change in acquisition-related escrow	—	(10,533)	—	(10,317)
Interest expense, net	(3,877)	(2,407)	(11,712)	(3,319)
Other income (expense), net	(3,560)	(359)	986	(658)
Loss before income taxes	(19,355)	(20,802)	(33,626)	(37,754)
Income tax provision (benefit)	(799)	45	(478)	139
Net loss	(18,556)	(20,847)	(33,148)	(37,893)
Less: Net income attributable to noncontrolling interests	(11)	—	(24)	—
Net loss attributable to Novatel Wireless, Inc.	$ (18,567)	$ (20,847)	$ (33,172)	$ (37,893)
Per share data:				
Net loss per share:				
Basic and diluted	$ (0.34)	$ (0.38)	$ (0.62)	$ (0.73)
Weighted-average shares used in computation of net loss per share:				
Basic and diluted	53,876,795	55,180,537	53,584,410	51,647,970

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	**2015**	**2016**	**2015**
Net loss	$ (18,556)	$ (20,847)	$ (33,148)	$ (37,893)
Foreign currency translation adjustment	4,044	—	6,639	—
Total comprehensive loss	$ (14,512)	$ (20,847)	$ (26,509)	$ (37,893)

See accompanying notes to unaudited condensed consolidated financial statements.

NOVATEL WIRELESS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Nine Months Ended September 30,	
	2016	**2015**
Cash flows from operating activities:		
Net loss	$ (33,148)	$ (37,893)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	10,836	4,484
Amortization of acquisition-related inventory step-up	1,829	765
Provision for bad debts, net of recoveries	96	62
Provision for excess and obsolete inventory	2,580	810
Share-based compensation expense	3,437	3,227
Amortization of debt discount and debt issuance costs	6,335	2,581
Gain on divestiture and sale of other assets, net of loss on disposal of assets	(4,290)	—
Loss on impairment of purchased intangible assets	2,594	—
Non-cash change in acquisition-related escrow	—	10,317
Deferred income taxes	(735)	—
Non-cash earn-out compensation expense	2,109	—
Unrealized foreign currency transaction loss, net	3,038	—
Other	183	—
Changes in assets and liabilities, net of effects from acquisitions and divestitures:		
Accounts receivable	9,881	(6,664)
Inventories	3,757	6,039
Prepaid expenses and other assets	(6,186)	(574)
Accounts payable	(7,077)	(13,868)
Accrued expenses, income taxes, and other	4,812	4,417
Net cash provided by (used in) operating activities	51	(26,297)
Cash flows from investing activities:		
Acquisition-related escrow	—	(88,274)
Acquisitions, net of cash acquired	(3,750)	(9,063)
Purchases of property, plant and equipment	(875)	(996)
Proceeds from the sale of property, plant and equipment	392	—
Proceeds from the sale of divested assets	11,300	—
Proceeds from the sale of short-term investments	1,210	—
Purchases of intangible assets and additions to capitalized software costs	(2,092)	(224)
Net cash provided by (used in) investing activities	6,185	(98,557)
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 repayments of DigiCore bank facilities	(965)	—
Net repayments of revolving credit facility	—	(5,158)
Payoff of acquisition-related assumed liabilities	—	(2,633)
Principal payments under capital lease obligations	(722)	—
Principal payments on mortgage bond	(175)	—
Proceeds from stock option exercises and employee stock purchase plan, net of taxes paid on vested restricted stock units	368	257
Net cash provided by (used in) financing activities	(1,494)	117,570
Effect of exchange rates on cash and cash equivalents	(147)	(350)
Net increase (decrease) in cash and cash equivalents	4,595	(7,634)
Cash and cash equivalents, beginning of period	12,570	17,853
Cash and cash equivalents, end of period	$ 17,165	$ 10,219
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	$ 3,712	$ 110
Income taxes	$ 92	$ 123

See accompanying notes to unaudited condensed consolidated financial statements.

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 information at September 30, 2016 and the results of the Company’s operations for the three and nine months ended September 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 September 30, 2016 and 2015, the Company incurred a net loss of $18.6 million and $20.8 million, respectively. The Company’s ability to transition to attaining profitable operations is dependent upon achieving a level and mix 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. 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 August 2016, the FASB issued Accounting Standards Update (“ASU”) 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*, which clarifies how companies present and classify certain cash receipts and cash payments in the statement of cash flows. This guidance is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted. The Company is currently assessing the impact of this guidance.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which requires measurement and recognition of expected credit losses for financial assets held. This guidance is effective for interim and annual reporting periods beginning after December 15, 2019. Early adoption is permitted. The Company is currently assessing the impact of this guidance.

In March 2016, the FASB issued 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* (“ASU 2014-09”), 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*, which deferred 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. In April 2016, the FASB issued ASU 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing*, which clarifies aspects of ASU 2014-09 pertaining to the identification of performance obligations and the licensing implementation guidance, while retaining the related principles for those areas. 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

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 $1.3 million and $2.1 million in expense during the three and nine months ended September 30, 2016, respectively, 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 September 30, 2016, the total amount earned pursuant to the Earn-Out Arrangement was $8.2 million, $6.7 million of which remained outstanding as of September 30, 2016 and is included in accrued expenses and other current liabilities and in 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	

During the three months ended September 30, 2016, the Company recorded an impairment loss related to the developed technologies acquired in connection with the FW acquisition (see Note 4).

Pro Forma Summary

The unaudited consolidated pro forma results for the three and nine months ended September 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 September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net revenues	$ 60,881	$ 70,390	$ 190,636	$ 214,172
Net loss	$ (18,556)	$ (14,824)	$ (33,148)	$ (35,142)

Divestitures

Hardware Modules and Related Assets

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 included $9.0 million that was paid to the Company on the closing date of the transaction, $1.0 million that would 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 would 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 had 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 would 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 have been entitled to receive a subsequent earn-out payment following the closing of the transaction if certain conditions were met.

On September 29, 2016, the Company entered into a Final Resolution Letter Agreement (the "Final Resolution") with Telit. Per the Final Resolution, Telit agreed to pay the Company $2.1 million in full satisfaction of their payment obligations under certain sections of the original purchase agreement, including all installment payments, and the Company agreed to ship the remainder of the hardware modules and related assets as soon as practicable. Under the Final Resolution, the aggregate purchase consideration totaled $11.7 million, which consisted of $11.3 million in cash and $0.4 million in net settled Company liabilities.

During the nine months ended September 30, 2016, the Company recognized a gain of approximately $4.5 million in connection with the fulfillment of certain obligations pursuant to the asset purchase agreement, as amended, which is included in other income (expense), net, in the unaudited condensed consolidated statements of operations. During the three months ended September 30, 2016, the Company recognized a decrease of approximately $2.4 million in the $6.9 million gain that it had recognized during the six months ended June 30, 2016, as a result of the Final Resolution, which is included in other income (expense), net, in the unaudited condensed consolidated statements of operations. As of September 30, 2016, the Company recorded a liability of $1.5 million for the fair value of the remaining hardware and related assets due to Telit, which is included in accrued expenses and other current liabilities in the unaudited condensed consolidated balance sheets.

Mobile Broadband Business

On September 21, 2016, the Company, Vanilla Technologies, Inc., a Delaware corporation and direct wholly owned subsidiary of the Company ("Newco"), T.C.L. Industries Holdings (H.K.) Limited, a Hong Kong limited liability company ("TCL"), and Jade Ocean Global Limited, a British Virgin Islands business company (the "Purchaser" and, together with TCL, the "Purchasers"), entered into a Stock Purchase Agreement (the "Purchase Agreement"). Pursuant to the Purchase Agreement, the Purchaser will acquire the Company's mobile broadband business, which includes its MiFi branded hotspots and USB modem product lines, and related liabilities (the "MiFi Business") for cash consideration of $50.0 million, subject to potential adjustment based on the Company's working capital as of the closing date (such acquisition of the MiFi Business being referred to herein as the "Sale").

In connection with the proposed Sale, the Company intends to implement a reorganization (the "Reorganization"), which will result in Newco owning all of the capital stock of the Company. In connection with the Reorganization, (i) the Company will contribute to Newco all of its assets and liabilities (other than the MiFi Business), including its equity interests in DigiCore, FW, Novatel Wireless Solutions, Inc., Enfora Comercio de Eletronicos LTDA and each of their direct and indirect subsidiaries; and (ii) Vanilla Merger Sub, Inc., a newly formed Delaware corporation and direct, wholly owned subsidiary of Newco and an indirect, wholly owned subsidiary of the Company, will merge with and into the Company, with the Company surviving as a direct, wholly owned subsidiary of Newco (the "Merger"). As a result of and upon the effective time of the Merger, each share of the Company common stock issued and outstanding immediately prior to the effective time of the Merger will automatically convert into an equivalent corresponding share of Newco common stock, having the same designations, rights, powers and preferences and the qualifications, limitations and restrictions as the corresponding share of the Company common stock being converted. Accordingly, upon consummation of the Merger, the Company's current stockholders will become stockholders of Newco. Effective November 9, 2016, Newco will be named Inseego Corp. and will trade on the NASDAQ Global Select Market under the ticker symbol "INSG."

The Sale will be structured as a purchase by Purchaser of all of the issued and outstanding shares of common stock of the Company, which shares will be solely owned by Newco immediately prior to the consummation of the Sale as a result of the

Reorganization. The consummation of the Sale is subject to the completion of the Reorganization and is expected to occur in the first quarter of 2017.

In addition, the consummation of the Sale is subject to certain other conditions, including, but not limited to, (i) the approval of the Sale by the stockholders of Newco following the Reorganization, (ii) the Company no longer being a borrower under the Indenture, dated June 10, 2015, governing its 5.50% Senior Convertible Notes due 2020 (the “Convertible Notes”), (iii) obtaining approval of the transaction from the Committee on Foreign Investment in the United States, (iv) subject to certain materiality exceptions, the accuracy of the representations and warranties of each of the parties to the Purchase Agreement, and (v) the compliance in all material respects by the parties with the covenants contained in the Purchase Agreement.

3. Balance Sheet Details

Inventories

Inventories consist of the following (in thousands):

	September 30, 2016	December 31, 2015
Finished goods	$ 30,095	$ 47,094
Raw materials and components	9,875	8,743
Total inventories	$ 39,970	$ 55,837

Accrued Expenses and Other Current Liabilities

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

	September 30, 2016	December 31, 2015
Royalties	$ 4,125	$ 2,740
Payroll and related expenses	6,705	4,406
Warranty obligations	516	932
Market development funds and price protection	2,544	2,805
Professional fees	2,152	1,060
Accrued interest	1,925	274
Deferred revenue	2,168	1,836
Restructuring	829	1,044
Acquisition-related liabilities	7,384	5,274
Divestiture-related liabilities	1,537	—
Other	7,206	5,242
Total accrued expenses and other current liabilities	$ 37,091	$ 25,613

Accrued Warranty Obligations

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

Warranty liability at December 31, 2015	$ 932
Additions charged to operations	351
Deductions from liability	(767)
Warranty liability at September 30, 2016	$ 516

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.

In September 2016, the Company completed all in-process research and development projects and reclassified them to developed technologies. These developed technologies will be amortized over a useful life of six years.

During the three and nine months ended September 30, 2016, the Company recorded an impairment loss primarily related to developed technologies acquired in connection with the FW acquisition of approximately $2.6 million.

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 nine months ended September 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 September 30, 2016 (in thousands):

	Balance as of September 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 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 $88.8 million as of September 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, $0.7 million of which was available for letters of credit at September 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 September 30, 2016 or December 31, 2015. As of September 30, 2016, the Company had available borrowings of approximately $6.9 million and 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 the 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 September 30, 2016 (in thousands):

Liability component:		
Principal	$	120,000
Less: unamortized debt discount and debt issuance costs		(31,204)
Net carrying amount	$	88,796
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 16.95% for the nine months ended September 30, 2016. The following table sets forth total interest expense recognized related to the Convertible Notes during the three and nine months ended September 30, 2016 and 2015 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	**2015**	**2016**	**2015**
Contractual interest expense	$ 1,650	$ 1,649	$ 4,950	$ 2,016
Amortization of debt discount	1,980	1,980	5,940	2,420
Amortization of debt issuance costs	132	132	395	161
Total interest expense	$ 3,762	$ 3,761	$ 11,285	$ 4,597

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 September 30,		Nine Months Ended September 30,	
	2016	**2015**	**2016**	**2015**
Cost of revenues	$ 49	$ 49	$ 156	$ 107
Research and development	201	196	662	598
Sales and marketing	170	135	593	318
General and administrative	695	874	2,026	2,204
Total	$ 1,115	$ 1,254	$ 3,437	$ 3,227

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	(35,196)
Canceled	(542,237)
Outstanding — September 30, 2016	6,558,953
Exercisable — September 30, 2016	1,603,054

At September 30, 2016, total unrecognized compensation expense related to stock options was $4.6 million, which is expected to be recognized over a weighted-average period of 2.80 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	(422,148)
Forfeited	(244,471)
Non-vested at September 30, 2016	3,207,584

At September 30, 2016, total unrecognized compensation expense related to RSUs was $3.7 million, which is expected to be recognized over a weighted-average period of 2.96 years.

Employee Stock Purchase Plan

During the three months ended September 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 nine months ended September 30, 2016 and 2015, the Company recognized $0.3 million and $0.3 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 September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
United States and Canada	72.4%	96.4%	74.6%	96.2%
Latin America	0.2	0.4	0.2	0.6
Europe, Middle East, Africa and other	25.2	2.9	23.5	3.0
Asia and Australia	2.2	0.3	1.7	0.2
	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 September 30, 2016 and 2015, sales to the Company's largest customer accounted for 55.3% and 64.2%, respectively, of net revenues. For the nine months ended September 30, 2016 and 2015, sales to the Company's largest customer accounted for 54.6% and 56.0%, 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 September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net loss attributable to Novatel Wireless, Inc.	$ (18,567)	$ (20,847)	$ (33,172)	$ (37,893)
Weighted-average common shares outstanding	53,876,795	55,180,537	53,584,410	51,647,970
Basic and diluted net loss per share	$ (0.34)	$ (0.38)	$ (0.62)	$ (0.73)

For the three and nine months ended September 30, 2016, the computation of diluted EPS excluded 11,653,167 shares related to warrants, stock options and RSUs as their effect would have been anti-dilutive. For the three and nine months ended September 30, 2015, the computation of diluted EPS excluded 8,520,706 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.

On September 26, 2016, the Company settled a breach of contract claim alleging that the Company had failed to pay certain royalties on hardware products sold by its subsidiary, Enfora, Inc. Under the terms of the settlement agreement, the Company is required to pay an aggregate settlement amount of $2.8 million, $2.5 million of which remained outstanding as of September 30, 2016, is included in accrued expenses and other current liabilities and in other long-term liabilities in the unaudited condensed consolidated balance sheets, and is payable in eight equal quarterly installments. The contract underlying the claim has now been terminated.

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 4.1% and (0.2)% for the three months ended September 30, 2016 and 2015, respectively, and 1.4% and (0.4)% for the nine months ended September 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 nine months ended September 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.

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 $4.8 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, 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 $0.9 million and were completed in October 2016, subsequent to the balance sheet date.

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

	Balance at December 31, 2015	Costs Incurred	Payments	Non-cash	Translation Adjustment	Balance at September 30, 2016	Cumulative Costs Incurred to Date
2013 Initiatives							
Employee Severance Costs	$ —	$ —	$ —	$ —	$ —	$ —	$ 3,986
Facility Exit Related Costs	72	5	(58)	—	—	19	2,630
2015 Initiatives							
Employee Severance Costs	1,330	538	(1,292)	—	14	590	4,129
Facility Exit Related Costs	328	268	(274)	159	—	481	649
2016 Initiatives							
Employee Severance Costs	—	874	(869)	—	—	5	874
Total	$ 1,730	$ 1,685	$ (2,493)	$ 159	$ 14	$ 1,095	$ 12,268

The balance of the restructuring liability at September 30, 2016 consists of approximately $0.8 million in current liabilities and $0.3 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 products relating to the Internet of Things (“IoT”), including 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 successfully complete the proposed restructuring and the sale of our mobile broadband business;
- 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 and/or industry-specific 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;
- 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, "Inseego", "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 590,000 global subscribers, including 182,000 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. 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 the FW Crossroads platform, 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 more than 50 countries on six continents with approximately 940 employees and 411,000 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, the 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 its 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”) and T-Mobile US, Inc. (“T-Mobile”), 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 $1.3 million and $2.1 million in expense during the three and nine months ended September 30, 2016, respectively, 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 September 30, 2016, the total amount earned pursuant to the Earn-Out Arrangement was $8.2 million, $6.7 million of which remained outstanding as of September 30, 2016 and is included in accrued expenses and other current liabilities and in other long-term liabilities in the unaudited condensed consolidated balance sheets.

Divestitures

Hardware Modules and Related Assets

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 included $9.0 million that was paid to us on the closing date of the transaction, $1.0 million that would 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 would 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 had 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 would 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 have been entitled to receive a subsequent earn-out payment following the closing of the transaction if certain conditions are met.

On September 29, 2016, we entered into a Final Resolution Letter Agreement (the "Final Resolution") with Telit. Per the Final Resolution, Telit agreed to pay us $2.1 million in full satisfaction of their payment obligations under certain sections of the original purchase agreement, including all installment payments, and we agreed to ship the remainder of the hardware modules and related assets as soon as practicable. Under the Final Resolution, the aggregate purchase consideration totaled $11.7 million, which consisted of $11.3 million in cash and $0.4 million in net settled Company liabilities.

During the nine months ended September 30, 2016, we recognized a gain of approximately $4.5 million in connection with the fulfillment of certain obligations pursuant to the asset purchase agreement, as amended, which is included in other income (expense), net, in the unaudited condensed consolidated statements of operations. During the three months ended September 30, 2016, the Company recognized a decrease of approximately $2.4 million in the $6.9 million gain that it had recognized during the six months ended June 30, 2016, as a result of the Final Resolution, which is included in other income (expense), net, in the unaudited condensed consolidated statements of operations. As of September 30, 2016, we recorded a liability of $1.5 million for the fair value of the remaining hardware and related assets due to Telit, which is included in accrued expenses and other current liabilities in the unaudited condensed consolidated balance sheets.

Mobile Broadband Business

On September 21, 2016, we entered into a Stock Purchase Agreement (the "Purchase Agreement") with Vanilla Technologies, Inc., a Delaware corporation and direct wholly owned subsidiary of the Company ("Newco"), T.C.L. Industries Holdings (H.K.) Limited, a Hong Kong limited liability company ("TCL"), and Jade Ocean Global Limited, a British Virgin Islands business company (the "Purchaser" and, together with TCL, the "Purchasers"). Pursuant to the Purchase Agreement, the Purchaser will acquire our mobile broadband business, which includes our MiFi branded hotspots and USB modem product lines, and related liabilities (the "MiFi Business") for cash consideration of $50.0 million, subject to potential adjustment based on our working capital as of the closing date (such acquisition of the MiFi Business being referred to herein as the "Sale").

In connection with the proposed Sale, we intend to implement a reorganization (the "Reorganization"), which will result in Newco owning all of the capital stock of the Company. In connection with the Reorganization, (i) the Company will contribute to Newco all of its assets and liabilities (other than the MiFi Business), including its equity interests in DigiCore, FW, Novatel Wireless Solutions, Inc., Enfora Comercio de Eletronicos LTDA and each of their direct and indirect subsidiaries; and (ii) Vanilla Merger Sub, Inc., a newly formed Delaware corporation and direct, wholly owned subsidiary of Newco and an indirect, wholly owned subsidiary of the Company, will merge with and into the Company, with the Company surviving as a direct, wholly owned subsidiary of Newco (the "Merger"). As a result of and upon the effective time of the Merger, each share of the Company common stock issued and outstanding immediately prior to the effective time of the Merger will automatically

convert into an equivalent corresponding share of Newco common stock, having the same designations, rights, powers and preferences and the qualifications, limitations and restrictions as the corresponding share of the Company common stock being converted. Accordingly, upon consummation of the Merger, the Company's current stockholders will become stockholders of Newco. Effective November 9, 2016, Newco will be named Inseego Corp. and will trade on the NASDAQ Global Select Market under the ticker symbol "INSG."

The Sale will be structured as a purchase by Purchaser of all of the issued and outstanding shares of common stock of the Company, which shares will be solely owned by Newco immediately prior to the consummation of the Sale as a result of the Reorganization. The consummation of the Sale is subject to the completion of the Reorganization and is expected to occur in the first quarter of 2017.

In addition, the consummation of the Sale is subject to certain other conditions, including, but not limited to, (i) the approval of the Sale by the stockholders of Newco following the Reorganization, (ii) the Company no longer being a borrower under the Indenture, dated June 10, 2015, governing its 5.50% Senior Convertible Notes due 2020 (the "Convertible Notes"), (iii) obtaining approval of the transaction from the Committee on Foreign Investment in the United States ("CFIUS"), (iv) subject to certain materiality exceptions, the accuracy of the representations and warranties of each of the parties to the Purchase Agreement, and (v) the compliance in all material respects by the parties with the covenants contained in the Purchase Agreement.

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 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, T-Mobile 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.

Our future net revenues will also be affected by the consummation of the Sale, which is expected to occur in the first quarter of 2017.

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.

Results of Operations

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

Net revenues. Net revenues for the three months ended September 30, 2016 were $60.9 million, an increase of $6.6 million, or 12.2%, compared to the same period in 2015.

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

	Three Months Ended September 30,		Change	
	2016	2015	$	%
Product Category				
Hardware	$ 46,096	$ 52,049	$ (5,953)	(11.4)%
SaaS, Software and Services	14,785	2,219	12,566	566.3 %
Total	$ 60,881	$ 54,268	$ 6,613	12.2 %

Hardware. The decrease in hardware net revenues is primarily a result of the divestiture of certain hardware modules to Telit and the ongoing focus on our most profitable products, 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 September 30, 2016 was $38.0 million, or 62.3% of net revenues, as compared to $39.8 million, or 73.3% of net revenues, for the same period in 2015.

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

Product Category	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015	Change $	Change %
Hardware	$ 32,768	$ 39,155	$ (6,387)	(16.3)%
SaaS, software and services	5,189	645	4,544	704.5 %
Total	$ 37,957	$ 39,800	$ (1,843)	(4.6)%

Hardware. The decrease in hardware cost of net revenues is primarily a result of the divestiture of certain hardware modules to Telit and the ongoing focus on our most profitable products, 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 with its cost of SaaS, software and services net revenues.

Gross profit. Gross profit for the three months ended September 30, 2016 was $22.9 million, or a gross margin of 37.7%, compared to $14.5 million, or a gross margin of 26.7% 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 discussed above, as the Company sought to transition its revenue mix toward the more highly profitable SaaS, software and services business.

Research and development expenses. Research and development expenses for the three months ended September 30, 2016 were $7.9 million, or 13.0% of net revenues, compared to $7.7 million, or 14.2% of net revenues, for the same period in 2015. The increase in research and development expenses was primarily a result of the acquisition of Ctrack, which was almost entirely offset by our cost containment initiatives.

Sales and marketing expenses. Sales and marketing expenses for the three months ended September 30, 2016 were $8.0 million, or 13.1% of net revenues, compared to $3.9 million, or 7.3% 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 September 30, 2016 were $14.6 million, or 23.9% of net revenues, compared to $9.1 million, or 16.8% of net revenues, for the same period in 2015. The increase was primarily a result of the acquisition of Ctrack, a legal settlement entered into during the period and ongoing legal expenses associated with the divestiture of our mobile broadband business, partially offset by our cost containment initiatives.

Amortization of purchased intangible assets. The amortization of purchased intangible assets for the three months ended September 30, 2016 and 2015 was $1.0 million and $0.3 million, respectively. Amortization of purchased intangible assets for the three months ended September 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 September 30, 2015 includes the amortization of intangible assets purchased through the acquisition of FW.

Impairment of purchased intangible assets. During the three months ended September 30, 2016, we recorded an impairment loss of $2.6 million primarily related to the developed technologies acquired through our acquisition of FW. We did not have an impairment loss during the same period in 2015.

Restructuring charges. Restructuring expenses for the three months ended September 30, 2016 and 2015 were $0.8 million and $1.0 million, respectively, and primarily consisted of severance costs incurred in connection with the reduction of our workforce, as well as facility exit related costs.

Non-cash change in acquisition-related escrow. During the three months ended September 30, 2015, we recorded a non-cash loss of $10.5 million related to an acquisition-related escrow account for the purchase of Ctrack due to the weakening of the South African Rand compared to the U.S. Dollar. We did not have an acquisition-related escrow account during the three months ended September 30, 2016.

Interest expense, net. Interest expense, net, for the three months ended September 30, 2016 and 2015 was $3.9 million and $2.4 million, respectively. Interest expense is primarily related to the Convertible Notes, which includes the amortization of the debt discount and debt issuance costs. The increase in interest expense, net, is primarily a result of the Convertible Notes interest expense being partially offset by interest income related to an acquisition-related escrow account for the purchase of Ctrack during the three months ended September 30, 2015.

Other income (expense), net. Other expense, net, for the three months ended September 30, 2016 was $3.6 million, compared to $0.4 million for the same period in 2015. The increase in other expense is primarily a result of the Final Resolution related to our sale of certain hardware modules and related assets to Telit, which resulted in a decrease in the gain recognized in the second quarter of 2016, as well as 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 September 30, 2016 was $0.8 million as compared to an income tax provision of $45,000 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 September 30, 2016, net income attributable to noncontrolling interests was $11,000. We did not have any noncontrolling interests during the three months ended September 30, 2015.

Nine Months Ended September 30, 2016 Compared to Nine Months Ended September 30, 2015

Net revenues. Net revenues for the nine months ended September 30, 2016 were $190.6 million, an increase of $31.2 million, or 19.6%, compared to the same period in 2015.

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

	Nine Months Ended September 30,		Change	
Product Category	**2016**	**2015**	**$**	**%**
Hardware	$ 149,402	$ 154,332	$ (4,930)	(3.2)%
SaaS, software and services	41,234	5,097	36,137	709.0 %
Total	$ 190,636	$ 159,429	$ 31,207	19.6 %

Hardware. The decrease in hardware net revenues is primarily a result of the divestiture of certain hardware modules to Telit and the ongoing focus on our most profitable products, 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 SaaS, software and services net revenues.

Cost of net revenues. Cost of net revenues for the nine months ended September 30, 2016 was $123.3 million, or 64.7% of net revenues, compared to $117.0 million, or 73.4% of net revenues, for the same period in 2015.

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

	Nine Months Ended September 30,		Change	
Product Category	**2016**	**2015**	**$**	**%**
Hardware	$ 109,395	$ 115,753	$ (6,358)	(5.5)%
SaaS, software and services	13,896	1,251	12,645	1,010.8 %
Total	$ 123,291	$ 117,004	$ 6,287	5.4 %

Hardware. The decrease in hardware cost of net revenues is primarily a result of the divestiture of certain hardware modules to Telit and the ongoing focus on our most profitable products, partially offset by the acquisition of Ctrack with its cost of 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 with its cost of SaaS, software and services net revenues.

Gross profit. Gross profit for the nine months ended September 30, 2016 was $67.3 million, or a gross margin of 35.3%, compared to $42.4 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 discussed above, as the Company sought to transition its revenue mix toward more highly profitable SaaS, software and services business.

Research and development expenses. Research and development expenses for the nine months ended September 30, 2016 were $24.2 million, or 12.7% of net revenues, compared to $28.1 million, or 17.6% 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 an all-employee 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 nine months ended September 30, 2016 were $24.1 million, or 12.6% of net revenues, compared to $12.4 million, or 7.8% 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 an all-employee retention bonus that was paid in 2015.

General and administrative expenses. General and administrative expenses for the nine months ended September 30, 2016 were $34.7 million, or 18.2% of net revenues, compared to $23.5 million, or 14.7% of net revenues, for the same period in 2015. General and administrative expenses increased for the nine months ended September 30, 2016 primarily a result of the acquisitions of Ctrack and FW, as well as a legal settlement entered into during the period, partially offset by our cost containment initiatives and the lack of an all-employee retention bonus that was paid in 2015.

Amortization of purchased intangible assets. The amortization of purchased intangible assets for the nine months ended September 30, 2016 and 2015 was $2.9 million and $1.1 million, respectively. Amortization of purchased intangible assets for the nine months ended September 30, 2016 includes the amortization of intangible assets purchased through the acquisitions of Ctrack and FW. Amortization of purchased intangible assets for the nine months ended September 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 September 30, 2015.

Impairment of purchased intangible assets. During the nine months ended September 30, 2016, we recorded an impairment loss of $2.6 million primarily related to the developed technologies acquired through our acquisition of FW. We did not have an impairment loss during the same period in 2015.

Restructuring charges. Restructuring charges for the nine months ended September 30, 2016 and 2015 were $1.7 million and $0.8 million, respectively, and predominantly consisted of severance costs incurred in connection with the reduction of our workforce, as well as facility exit related costs.

Non-cash change in acquisition-related escrow. During the nine months ended September 30, 2015, we recorded a non-cash loss of $10.3 million related to an acquisition-related escrow account for the purchase of Ctrack due to the weakening of the South African Rand compared to the U.S. Dollar. We did not have an acquisition-related escrow account during the nine months ended September 30, 2016.

Interest expense, net. Interest expense, net for the nine months ended September 30, 2016 was $11.7 million, compared to $3.3 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 nine months ended September 30, 2016 was $1.0 million, compared to other expense, net of $0.7 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 nine months ended September 30, 2016 was $0.5 million 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 nine months ended September 30, 2016, net income attributable to noncontrolling interests was $24,000. We did not have any noncontrolling interests during the nine months ended September 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, $0.7 million of which was available for letters of credit at September 30, 2016. As of September 30, 2016, there was no outstanding balance on the Revolver and we had available borrowings of approximately $6.9 million.

Convertible Senior Notes

On June 10, 2015, we issued $120.0 million of Convertible Notes, which are governed by the terms of the 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):

	Nine Months Ended September 30,	
	2016	**2015**
Net cash provided by (used in) operating activities	$ 51	$ (26,297)
Net cash provided by (used in) investing activities	6,185	(98,557)
Net cash provided by (used in) financing activities	(1,494)	117,570
Effect of exchange rates on cash and cash equivalents	(147)	(350)
Net increase (decrease) in cash and cash equivalents	4,595	(7,634)
Cash and cash equivalents, beginning of period	12,570	17,853
Cash and cash equivalents, end of period	$ 17,165	$ 10,219

Operating activities. Net cash provided by operating activities was $0.1 million for the nine months ended September 30, 2016 compared to $26.3 million used in operating activities for the same period in 2015. Net cash provided by operating activities for the nine months ended September 30, 2016 was primarily attributable to 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 loss on impairment of purchased intangible assets, the provision for excess and obsolete inventory and share-based compensation expense, partially offset by the net loss in the period, a gain on the divestiture of certain hardware modules and related assets, and a decrease in accounts payable and an increase in prepaid expenses and other assets. Net cash used in operating activities for the nine months ended September 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 change in acquisition-related escrow, 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 nine months ended September 30, 2016 was $6.2 million compared to $98.6 million used in investing activities for the same period in 2015. Cash provided by investing activities during the nine months ended September 30, 2016 was primarily attributable to the proceeds received from the sale of divested assets and short-term investments, partially offset by the cash earn-out payments made to FW and 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 nine months ended September 30, 2015 was primarily attributable to our acquisition of FW and our then-pending acquisition of Ctrack.

Financing activities. Net cash used in financing activities during the nine months ended September 30, 2016 was $1.5 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 nine months ended September 30, 2016 was primarily related to repayments of Ctrack debt and 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 nine months ended September 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 September 30, 2016, we had available cash and cash equivalents totaling $17.2 million and working capital of $24.8 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. As of September 30, 2016, there was no outstanding balance on the Revolver and we had available borrowings of approximately $6.9 million. In addition, during the nine months ended September 30, 2016, the Company received approximately $11.3 million related to the closing of the asset sale to 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 expect that our liquidity, including the amount of available borrowings under the Revolver, will also be affected by the consummation of the Sale which is expected to occur in the first quarter of 2017.

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 and our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2016 and June 30, 2016, other than the disclosure in Note 10, *Commitments and Contingencies*, in the accompanying unaudited condensed consolidated financial statements which are incorporated herein by reference.

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 September 30, 2016, the end of the period covered by this report. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of September 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 September 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 Sale of our MiFi Business 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 Sale of our MiFi Business 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.

Risks Related to the Sale of Our MiFi Business

The announcement and pendency of the Sale of our MiFi Business may adversely affect our business.

The announcement and pendency of the Sale of our MiFi Business may adversely affect the trading price of our common stock, our business or our relationships with clients, customers, suppliers and employees. Third parties may be unwilling to enter into material agreements with respect to the MiFi Business or our Ctrack fleet and vehicle telematics solutions, stolen vehicle recovery, telemetry and connectivity solutions businesses (the "Retained Business"). New or existing customers, suppliers and business partners may prefer to enter into agreements with our competitors who have not expressed an intention to sell their business because customers, suppliers and business partners may perceive that such new relationships are likely to be more stable. Additionally, employees working in the MiFi Business or the Retained Business may become concerned about the future of the MiFi Business or the Retained Business, as applicable, and lose focus or seek other employment. In addition, while the completion of the Sale is pending we may be unable to attract and retain key personnel and our management's focus and attention and employee resources may be diverted from operational matters.

If we fail to complete the Sale, our business and financial performance may be adversely affected.

The completion of the Sale is subject to the satisfaction or waiver of various conditions, including completion of the exchange offer, approval of the Sale by our stockholders and approval of CFIUS, which may not be satisfied in a timely manner or at all.

If the Sale is not completed, we may have difficulty recouping the costs incurred in connection with negotiating the Sale. Our directors, executive officers and other employees will have expended extensive time and effort and will have experienced significant distractions from their work during the pendency of the Sale, and we will have incurred significant third party transaction costs, in each case, without any commensurate benefit, which may have a material and adverse effect on our stock price and results of operations.

In addition, if the Sale is not completed, then our board of directors, in discharging its fiduciary obligations to our stockholders, may evaluate other strategic alternatives including, but not limited to, continuing to operate the MiFi Business for the foreseeable future or an alternative sale transaction relating to the MiFi Business. An alternative sale transaction may yield lower consideration than the proposed Sale, be on less favorable terms and conditions than those contained in the Purchase Agreement and involve significant delay. Any future sale of substantially all of our assets or other transactions may be subject to stockholder approval.

Finally, if the Sale is not completed, the announcement of the termination of the Purchase Agreement may adversely affect our relationships with customers, suppliers and employees, which could have a material, negative impact on our ability to effectively operate the Retained Business or the MiFi Business, which could have further adverse effects on our business, results of operations and the trading price of our common stock.

The Purchase Agreement limits our ability to pursue alternatives to the Sale.

The Purchase Agreement contains provisions that may make it more difficult for us to sell all or a significant part of the MiFi Business to any party other than Purchaser. These provisions include the prohibition on our ability to solicit competing proposals and the requirement that we pay Purchaser a termination fee of $4 million if we terminate the Purchase Agreement prior to the closing of the Sale as a result of our determining to accept an alternative acquisition proposal that we determine to be a superior proposal.

Risks Related to the Retained Business if the Sale is Completed

Following the closing of the Sale, we will be subject to three-year non-competition and non-solicitation covenants under the Purchase Agreement, which may limit our ability to effectively operate our business in certain respects or sell the Retained Business to a third party.

Following the closing of the Sale, we will be subject to three-year non-competition and non-solicitation covenants made in the Purchase Agreement. During such three-year period, we will be restricted from designing, developing, manufacturing, marketing or selling on a standalone basis products of the MiFi Business as of the closing of the Sale, subject to certain exceptions, and from soliciting for employment persons who were employees of the MiFi Business as of the closing of the Sale.

These limitations may negatively impact the scope and/or volume of our business, which may adversely affect our financial condition and results of operations. In addition, under certain circumstances, a third party acquirer of the Retained Business may also be subject to these limitations, which may inhibit a future sale transaction of the Retained Business that may otherwise be favorable to our stockholders.

We may be, or become, obligated to incur certain defense costs in connection with certain intellectual property-related litigation matters, and may become obligated to indemnify Purchasers for certain losses relating to the MiFi Business.

Under the Purchase Agreement, we will retain responsibility for the defense costs for pending litigation matters for intellectual property used in the MiFi Business, and may be partially responsible for defense costs relating to certain threatened litigation matters relating to intellectual property used in the MiFi Business, should proceedings be initiated. In addition, we have agreed to indemnify Purchasers for certain types of losses relating to the MiFi Business, subject to the limitations contained in the Purchase Agreement. The amounts of these current and potential future liabilities are currently indeterminable, but if they turn out to be significant, they could adversely affect our business, financial condition and results of operations.

Following the closing of the Sale, we will only have access to certain intellectual property assets used in the operation of the Retained Business through a license from Purchasers, and accordingly, will be reliant on Purchasers to prosecute, maintain and protect such intellectual property assets.

Purchasers will acquire in the Sale intellectual property assets that are significant to the operation of the Retained Business. We may continue using such assets indefinitely through an intellectual property cross license agreement that will become effective only upon the closing of the Sale, subject to its continued compliance with the terms thereof. However, we will be reliant on Purchasers to prosecute, maintain and protect those intellectual property assets, and if Purchasers fail to do so adequately, our business may be adversely affected.

If the Sale is completed, our actual financial and operating results could differ materially from any expectations or guidance provided by us concerning future results.

We currently expect to realize material cost savings and increased gross profit, but also a significant decrease in revenue, as a result of the Sale of our MiFi Business. Excluding upfront non-recurring charges and transaction-related expenses, such disposition is expected to improve some of the key financial metrics associated with our results of operations. However, these expectations are subject to numerous assumptions, including, without limitation, projections of the future revenues and product margins of the Retained Business; projected acquisition and retention of customers of the Retained Business; anticipated personnel and manufacturing cost savings associated with the Sale; and certain accounting adjustments that we expect to record in our financial statements in connection with the disposition.

We cannot provide any assurances with respect to the accuracy of the assumptions on which our financial expectations or guidance are based. Any failure to realize the financial benefits we currently anticipate from the Sale could have a material adverse impact on our future operating results and financial condition and could materially and adversely affect the trading price or trading volume of our common stock.

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).
2.5**	Final Resolution Letter Agreement, dated September 29, 2016, by and among Novatel Wireless Inc. and Telit Technologies (Cyprus) Limited and Telit Wireless Solutions, Inc.
2.6*	Stock Purchase Agreement, dated September 21, 2016, by and among Novatel Wireless, Inc., Vanilla Technologies, Inc., T.C.L. Industries Holdings (H.K.) Limited and Jade Ocean Global Limited (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K, filed September 22, 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).
10.1**	Eighth Amendment to Credit and Security Agreement, dated July 29, 2016, by and among Novatel Wireless, Inc., Enfora, Inc., Feeney Wireless, LLC and Wells Fargo Bank, National Association
10.2**	Ninth Amendment to Credit and Security Agreement, dated September 28, 2016, by and among Novatel Wireless, Inc., Enfora, Inc., Feeney Wireless, LLC and Wells Fargo Bank, National Association
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.

Exhibit Number	Description
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 September 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.
*	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: November 7, 2016	Novatel Wireless, Inc.	
	By:	/s/ SUE SWENSON
		Sue Swenson
		Chief Executive Officer
	By:	/s/ MICHAEL NEWMAN
		Michael Newman
		Chief Financial Officer

Exhibit 2.5

FINAL RESOLUTION LETTER AGREEMENT

Dated: September 29, 2016

Reference is made to that certain Asset Purchase Agreement, by and between Telit Technologies (Cyprus) Limited, Telit Wireless Solutions, Inc. (collectively, the "***Purchasers***") and Novatel Wireless, Inc., ("***Seller***" and together with Purchasers, the ***"Parties"***), dated as of April 11, 2016 (the "***Purchase Agreement***"). In connection therewith, Purchasers agree to pay, on or before September 30, 2016, an amount equal to $2,050,000.00, calculated in accordance with Exhibit A hereto, by wire transfer of immediately available funds to the account set forth on Exhibit B hereto, in full satisfaction of their payment obligations under Sections 1.3(b), (c), and (d) of the Purchase Agreement (the "***Final Resolution Amount***"). On the date hereof, or as soon as practicable thereafter, Seller will ship the remainder of the Batch 2 Inventory to Purchasers, in exchange for the payment of the Final Resolution Amount and in full satisfaction of its obligations under Sections 1.1(b) and 5.5 of the Purchase Agreement.

By executing this Letter Agreement, Purchasers irrevocably and unconditionally release Seller and each of its subsidiaries from any and all claims, current or future, arising or resulting from the forecasts and projections provided to Purchasers by Seller in connection with the business acquired by the Purchasers under the terms of the Purchase Agreement and/or the transactions contemplated thereunder, including any claims with respect to Article VI therein (the ***"Release"***). The Release shall bind and benefit the Parties and their respective heirs, executors, administrators, successors and assigns.

For the avoidance of doubt, except as set forth herein, Purchasers' rights and Seller's obligations under the Purchase Agreement and the Transition Services Agreement shall not be otherwise affected. Capitalized terms used herein, but not otherwise defined shall have the meanings set forth in the Purchase Agreement.

[**Signature Page Follows**]

IN WITNESS WHEREOF, the Parties hereto have executed this Final Resolution Letter Agreement as of the date first set forth above.

TELIT TECHNOLOGIES (CYPRUS) LIMITED,
a Cypriot company

By: /s/ Yariv Dafna
Name: Yariv Dafna
Title: Director

By: /s/ Eran Edri
Name: Eran Edri
Title: Group CFO

TELIT WIRELESS SOLUTIONS, INC.,
a Delaware corporation

By: /s/ Michael Galai
Name: Michael Galai
Title: Chief Legal Officer

By: /s/ Eran Edri
Name: Eran Edri
Title: Group CFO

NOVATEL WIRELESS, INC.,
a Delaware corporation

By: /s/ Michael A. Newman
Name: Michael A. Newman
Title: CFO

EXHIBIT A

Calculation of Final Resolution Amount

$	9,000,000.00	Closing Consideration
	1,000,000.00	Closing Holdback Amount
	1,000,000.00	Armstrong Holdback Amount
	3,574,421.29	Aggregate purchase price of Batch 2 Inventory (including, Additional Holdback Amount)
$	**14,574,421.29**	**Purchase Price, as adjusted**

$	14,574,421.29	Purchase Price, as adjusted
	(9,000,000.00)	Closing Consideration paid 4/11/2016
	(250,000.00)	Services Holdback Amount installment paid
	(2,877,320.37)	Reduction in aggregate purchase price of Batch 2 Inventory (including, Additional Holdback Amount)
$	**2,447,100.92**	**Total due**
$	(397,100.92)	Net credit for Novatel payable to Telit
$	**2,050,000.00**	**FINAL TOTAL DUE**

Exhibit 10.1

EIGHTH AMENDMENT TO CREDIT AND SECURITY AGREEMENT

THIS EIGHTH AMENDMENT TO CREDIT AND SECURITY AGREEMENT (this "Amendment"), dated as of July 29, 2016, is entered into by and among **NOVATEL WIRELESS, INC.**, a Delaware corporation ("Novatel"), **ENFORA, INC.**, a Delaware corporation ("Enfora"), and **FEENEY WIRELESS, LLC**, an Oregon limited liability company ("Feeney Wireless"; Novatel, Enfora and Feeney Wireless are sometimes referred to in this Amendment individually as a "Borrower" and collectively as the "Borrowers"), **R.E.R. ENTERPRISES, INC.**, an Oregon corporation ("RER Enterprises"), and **FEENEY WIRELESS IC-DISC, INC.**, a Delaware corporation ("Feeney Wireless IC-DISC"; RER Enterprises and Feeney Wireless IC-DISC are sometimes referred to in this Amendment individually as a "Guarantor" and collectively as the "Guarantors"), and **WELLS FARGO BANK, NATIONAL ASSOCIATION** (the "Lender"). Borrowers and Guarantors are sometimes individually referred to herein as a "Loan Party" and collectively referred to herein as the "Loan Parties". Terms used herein without definition shall have the meanings ascribed to them in the Credit Agreement defined below.

RECITALS

A. The Lender, Borrowers and Guarantors have previously entered into that certain Credit and Security Agreement dated as of October 31, 2014 (as amended, modified and supplemented from time to time, the "Credit Agreement"), pursuant to which the Lender has made certain loans and financial accommodations available to Borrowers.

B. Borrowers and Guarantors have requested that certain amendments be made to the Credit Agreement, and Lender is willing to amend the Credit Agreement on the terms and conditions set forth herein.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. Amendment to Credit Agreement.The definition of "Liquidity" set forth in Schedule 1.1 to the Credit Agreement is hereby amended, with retroactive effect to June 22, 2016, to read in
its entirety as follows:

> ""Liquidity" means, as of any date of determination, the sum of (i) Excess Availability, plus (ii) Qualified Cash; provided that the amount included in this clause (ii) in order to calculate Liquidity shall in no event exceed (x) during the period from June 22, 2016 through September 30, 2016, so long as no Advances are outstanding as of such date, more than 66 2/3% of the Liquidity as of any date of determination, and (y) at any time other than the period described in the immediately preceding clause (x) more than 50% of the Liquidity as of any date of determination."

2. Amendment Fee. Intentionally Omitted.

3. Effectiveness of this Amendment. This Amendment shall be effective upon Lender's receipt of the following items, in form and content acceptable to the Lender:

3.1 This Amendment, duly executed in a sufficient number of counterparts for distribution to all parties;

3.2 The representations and warranties set forth in this Amendment must be true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof); and

3.3 All other documents and legal matters in connection with the transactions contemplated by this Amendment shall have been delivered or executed or recorded, as reasonably required by the Lender.

4. Representations and Warranties. Each Loan Party represents and warrants as follows:

4.1 Authority. Each Loan Party has the requisite corporate or limited liability company, as applicable, power and authority to execute and deliver this Amendment, and to perform its obligations hereunder and under the Loan Documents (as amended or modified hereby) to which it is a party. The execution, delivery and performance by the Loan Parties of this Amendment have been duly approved by all necessary corporate or limited liability company, as applicable, action and no other corporate or limited liability company, as applicable, proceedings are necessary to consummate such transactions.

4.2 Enforceability. This Amendment has been duly executed and delivered by the Loan Parties. This Amendment and each Loan Document (as amended or modified hereby) is the legal, valid and binding obligation of each Loan Party, enforceable against each Loan Party in accordance with its terms, except as enforcement may be limited by equitable principles or by bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or limiting creditors' rights generally, and is in full force and effect.

4.3 Representations and Warranties. The representations and warranties contained in each Loan Document (other than any such representations or warranties that, by their terms, are specifically made as of a date other than the date hereof) are true and correct in all material respects on and as of the date hereof as though made on and as of the date hereof.

4.4 Due Execution. The execution, delivery and performance of this Amendment are within the corporate or limited liability company, as applicable, power of each Loan Party, have been duly authorized by all necessary action, have received all necessary governmental approval, if any, and do not contravene any law or any contractual restrictions binding on any Loan Party except to the extent that any such contravention could not individually or in the aggregate reasonably be expected to cause a Material Adverse Change.

4.5 No Default. No event has occurred and is continuing that constitutes a Default or an Event of Default.

5. No Waiver. Except as otherwise expressly provided herein, the execution of this Amendment and the acceptance of all other agreements and instruments related hereto shall not be deemed to be a

waiver of any Default or Event of Default under the Credit Agreement or a waiver of any breach, default or event of default under any other Loan Document or other document held by Lender, whether or not known to Lender and whether or not existing on the date of this Amendment.

6. Release. Each of the Borrowers and Guarantors hereby absolutely and unconditionally releases and forever discharges Lender, and any and all participants, parent corporations, subsidiary corporations, affiliated corporations, insurers, indemnitors, successors and assigns thereof, together with all of the present and former directors, officers, agents and employees of any of the foregoing, from any and all claims, demands or causes of action of any kind, nature or description, whether arising in law or equity or upon contract or tort or under any state or federal law or otherwise, which Borrowers or Guarantors have had, now have or have made claim to have against any such person for or by reason of any act, omission, matter, cause or thing whatsoever arising from the beginning of time to and including the date of this Amendment, whether such claims, demands and causes of action are matured or unmatured or known or unknown. It is the intention of the Borrowers and Guarantors in executing this release that the same shall be effective as a bar to each and every claim, demand and cause of action specified and in furtherance of this intention Borrowers and Guarantors each waives and relinquishes all rights and benefits under Section 1542 of the Civil Code of the State of California, which provides:

> "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MIGHT HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR."

The parties acknowledge that each may hereafter discover facts different from or in addition to those now known or believed to be true with respect to such claims, demands, or causes of action and agree that this instrument shall be and remain effective in all respects notwithstanding any such differences or additional facts.

7. Costs and Expenses. Borrowers hereby reaffirm their agreement under the Credit Agreement to pay or reimburse Lender on demand for all Lender Expenses incurred by Lender in connection with the Loan Documents. Without limiting the generality of the foregoing, Borrowers specifically agree to pay all reasonable and documented (to the extent such documentation is reasonably requested by Borrowers) out-of-pocket fees and disbursements of counsel to Lender for the services performed by such counsel in connection with the preparation of this Amendment and the documents and instruments incidental hereto. Borrowers hereby agree that Lender may, at any time or from time to time in its sole discretion and without further authorization by Borrowers, make an Advance to the Borrowers under the Credit Agreement, or apply the proceeds of any Advance, for the purpose of paying any such fees, disbursements, costs and expenses.

8. Choice of Law; Venue; Jury Trial Waiver; Arbitration. The validity of this Amendment, its construction, interpretation and enforcement, and the rights of the parties hereunder shall be determined under, governed by, and construed in accordance with the internal laws of the State of California governing contracts only to be performed in that State. All of the terms of Section 13 of the Credit Agreement are hereby incorporated by reference into this Amendment, *mutatis mutandis*.

9. Counterparts. This Amendment may be executed in any number of counterparts and by different parties and separate counterparts, each of which when so executed and delivered, shall be deemed an original, and all of which, when taken together, shall constitute one and the same instrument. Delivery of

an executed counterpart of a signature page to this Amendment by telefacsimile or “pdf” file or other similar method of electronic transmission shall be effective as delivery of a manually executed counterpart of this Amendment.

10. Reference to and Effect on the Loan Documents.

10.1 Upon and after the effectiveness of this Amendment, each reference in the Credit Agreement to “this Agreement”, “hereunder”, “hereof” or words of like import referring to the Credit Agreement, and each reference in the other Loan Documents to “the Credit Agreement”, “thereof” or words of like import referring to the Credit Agreement, shall mean and be a reference to the Credit Agreement as modified and amended hereby.

10.2 Except as specifically amended by this Amendment, the Credit Agreement and all other Loan Documents, are and shall continue to be in full force and effect and are hereby in all respects ratified and confirmed and shall constitute the legal, valid, binding and enforceable obligations of the Borrowers to the Lender and Bank Product Providers, except as enforcement may be limited by equitable principles or by bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or limiting creditors’ rights generally.

10.3 The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of the Lender under any of the Loan Documents, nor constitute a waiver of any provision of any of the Loan Documents.

10.4 To the extent that any terms and conditions in any of the Loan Documents shall contradict or be in conflict with any terms or conditions of the Credit Agreement, after giving effect to this Amendment, such terms and conditions are hereby deemed modified or amended accordingly to reflect the terms and conditions of the Credit Agreement as modified or amended hereby.

10.5 This Amendment shall be deemed to be a “Loan Document” (as defined in the Credit Agreement).

11. Ratification. The Loan Parties hereby restate, ratify and reaffirm each and every term and condition set forth in the Credit Agreement and the other Loan Documents to which it is a party, in each case as amended by this Amendment, effective as of the date hereof.

12. Estoppel. To induce the Lender to enter into this Amendment and to continue to make Advances or issue Letters of Credit to or for the account of the Borrowers under the Credit Agreement, the Loan Parties hereby acknowledge and agree that, as of the date hereof, there exists no right of offset, defense, counterclaim or objection in favor of the Loan Parties as against the Lender or any Bank Product Provider with respect to the Obligations.

13. Integration; Conflict; Successors and Assigns; Amendment. This Amendment, together with the other Loan Documents, incorporates all negotiations of the parties hereto with respect to the subject matter hereof and is the final expression and agreement of the parties hereto with respect to the subject matter hereof. In the event of any conflict between this Amendment and the Credit Agreement, the terms of this Amendment shall govern. This Amendment shall bind and inure to the benefit of the respective successors and assigns of each of the parties, subject to the provisions of the Credit Agreement and the other Loan Documents. No amendment or modification of this Amendment shall be effective unless it has been agreed to by Lender in a writing that specifically states that it is intended to amend or modify

this Amendment.

14. Severability. In case any provision in this Amendment shall be invalid, illegal or unenforceable, such provision shall be severable from the remainder of this Amendment and the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

[signature pages follow]

IN WITNESS WHEREOF, the parties have entered into this Amendment as of the date first above written.

BORROWERS:

NOVATEL WIRELESS, INC.

By: /s/ Michael A. Newman
Name: Michael A. Newman
Title: Executive Vice President, Chief Financial Officer and Assistant Secretary

ENFORA, INC.

By: /s/ Michael A. Newman
Name: Michael A. Newman
Title: Executive Vice President, Chief Financial Officer and Assistant Secretary

GUARANTORS:

FEENEY WIRELESS, LLC

By: /s/ Michael A. Newman
Name: Michael A. Newman
Title: Secretary

R.E.R. ENTERPRISES, INC.

By: /s/ Michael A. Newman
Name: Michael A. Newman
Title: Secretary

FEENEY WIRELESS IC-DISC, INC.

By: /s/ Michael A. Newman
Name: Michael A. Newman
Title: Secretary

LENDER:

**WELLS FARGO BANK,
NATIONAL ASSOCIATION**

By: /s/ Phillip C. Goessler
Name: Phillip C. Goessler
Title: Authorized Signatory

Exhibit 10.2

NINTH AMENDMENT TO CREDIT AND SECURITY AGREEMENT

THIS NINTH AMENDMENT TO CREDIT AND SECURITY AGREEMENT (this "Amendment"), dated as of September 28, 2016, is entered into by and among **NOVATEL WIRELESS, INC.**, a Delaware corporation ("Novatel"), **ENFORA, INC.**, a Delaware corporation ("Enfora"), and **FEENEY WIRELESS, LLC**, an Oregon limited liability company ("Feeney Wireless"; Novatel, Enfora and Feeney Wireless are sometimes referred to in this Amendment individually as a "Borrower" and collectively as the "Borrowers"), **R.E.R. ENTERPRISES, INC.**, an Oregon corporation ("RER Enterprises"), and **FEENEY WIRELESS IC-DISC, INC.**, a Delaware corporation ("Feeney Wireless IC-DISC"; RER Enterprises and Feeney Wireless IC-DISC are sometimes referred to in this Amendment individually as a "Guarantor" and collectively as the "Guarantors"), and **WELLS FARGO BANK, NATIONAL ASSOCIATION** (the "Lender"). Borrowers and Guarantors are sometimes individually referred to herein as a "Loan Party" and collectively referred to herein as the "Loan Parties". Terms used herein without definition shall have the meanings ascribed to them in the Credit Agreement defined below.

RECITALS

A. The Lender, Borrowers and Guarantors have previously entered into that certain Credit and Security Agreement dated as of October 31, 2014 (as amended, modified and supplemented from time to time, the "Credit Agreement"), pursuant to which the Lender has made certain loans and financial accommodations available to Borrowers.

B. Borrowers and Guarantors have requested that certain amendments be made to the Credit Agreement, and Lender is willing to amend the Credit Agreement on the terms and conditions set forth herein.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. Amendment to Credit Agreement. The definition of "Liquidity" set forth in Schedule 1.1 to the Credit Agreement is hereby amended by replacing the reference to "September 30, 2016" that appears therein with "January 31, 2017".

2. Amendment Fee. Intentionally Omitted.

3. Effectiveness of this Amendment. This Amendment shall be effective upon Lender's receipt of the following items, in form and content acceptable to the Lender:

3.1 This Amendment, duly executed in a sufficient number of counterparts for distribution to all parties;

3.2 The representations and warranties set forth in this Amendment must be true and correct in all material respects (except that such materiality qualifier shall not be applicable to any

representations and warranties that already are qualified or modified by materiality in the text thereof); and

3.3 All other documents and legal matters in connection with the transactions contemplated by this Amendment shall have been delivered or executed or recorded, as reasonably required by the Lender.

4. Representations and Warranties. Each Loan Party represents and warrants as follows:

4.1 Authority. Each Loan Party has the requisite corporate or limited liability company, as applicable, power and authority to execute and deliver this Amendment, and to perform its obligations hereunder and under the Loan Documents (as amended or modified hereby) to which it is a party. The execution, delivery and performance by the Loan Parties of this Amendment have been duly approved by all necessary corporate or limited liability company, as applicable, action and no other corporate or limited liability company, as applicable, proceedings are necessary to consummate such transactions.

4.2 Enforceability. This Amendment has been duly executed and delivered by the Loan Parties. This Amendment and each Loan Document (as amended or modified hereby) is the legal, valid and binding obligation of each Loan Party, enforceable against each Loan Party in accordance with its terms, except as enforcement may be limited by equitable principles or by bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or limiting creditors' rights generally, and is in full force and effect.

4.3 Representations and Warranties. The representations and warranties contained in each Loan Document (other than any such representations or warranties that, by their terms, are specifically made as of a date other than the date hereof) are true and correct in all material respects on and as of the date hereof as though made on and as of the date hereof.

4.4 Due Execution. The execution, delivery and performance of this Amendment are within the corporate or limited liability company, as applicable, power of each Loan Party, have been duly authorized by all necessary action, have received all necessary governmental approval, if any, and do not contravene any law or any contractual restrictions binding on any Loan Party except to the extent that any such contravention could not individually or in the aggregate reasonably be expected to cause a Material Adverse Change.

4.5 No Default. No event has occurred and is continuing that constitutes a Default or an Event of Default.

5. No Waiver. Except as otherwise expressly provided herein, the execution of this Amendment and the acceptance of all other agreements and instruments related hereto shall not be deemed to be a waiver of any Default or Event of Default under the Credit Agreement or a waiver of any breach, default or event of default under any other Loan Document or other document held by Lender, whether or not known to Lender and whether or not existing on the date of this Amendment.

6. Release. Each of the Borrowers and Guarantors hereby absolutely and unconditionally releases and forever discharges Lender, and any and all participants, parent corporations, subsidiary corporations, affiliated corporations, insurers, indemnitors, successors and assigns thereof, together with all of the present and former directors, officers, agents and employees of any of the foregoing, from any and all

claims, demands or causes of action of any kind, nature or description, whether arising in law or equity or upon contract or tort or under any state or federal law or otherwise, which Borrowers or Guarantors have had, now have or have made claim to have against any such person for or by reason of any act, omission, matter, cause or thing whatsoever arising from the beginning of time to and including the date of this Amendment, whether such claims, demands and causes of action are matured or unmatured or known or unknown. It is the intention of the Borrowers and Guarantors in executing this release that the same shall be effective as a bar to each and every claim, demand and cause of action specified and in furtherance of this intention Borrowers and Guarantors each waives and relinquishes all rights and benefits under Section 1542 of the Civil Code of the State of California, which provides:

> "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MIGHT HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR."

The parties acknowledge that each may hereafter discover facts different from or in addition to those now known or believed to be true with respect to such claims, demands, or causes of action and agree that this instrument shall be and remain effective in all respects notwithstanding any such differences or additional facts.

7. Costs and Expenses. Borrowers hereby reaffirm their agreement under the Credit Agreement to pay or reimburse Lender on demand for all Lender Expenses incurred by Lender in connection with the Loan Documents. Without limiting the generality of the foregoing, Borrowers specifically agree to pay all reasonable and documented (to the extent such documentation is reasonably requested by Borrowers) out-of-pocket fees and disbursements of counsel to Lender for the services performed by such counsel in connection with the preparation of this Amendment and the documents and instruments incidental hereto. Borrowers hereby agree that Lender may, at any time or from time to time in its sole discretion and without further authorization by Borrowers, make an Advance to the Borrowers under the Credit Agreement, or apply the proceeds of any Advance, for the purpose of paying any such fees, disbursements, costs and expenses.

8. Choice of Law; Venue; Jury Trial Waiver; Arbitration. The validity of this Amendment, its construction, interpretation and enforcement, and the rights of the parties hereunder shall be determined under, governed by, and construed in accordance with the internal laws of the State of California governing contracts only to be performed in that State. All of the terms of Section 13 of the Credit Agreement are hereby incorporated by reference into this Amendment, *mutatis mutandis*.

9. Counterparts. This Amendment may be executed in any number of counterparts and by different parties and separate counterparts, each of which when so executed and delivered, shall be deemed an original, and all of which, when taken together, shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this Amendment by telefacsimile or "pdf" file or other similar method of electronic transmission shall be effective as delivery of a manually executed counterpart of this Amendment.

10. Reference to and Effect on the Loan Documents.

10.1 Upon and after the effectiveness of this Amendment, each reference in the Credit Agreement to "this Agreement", "hereunder", "hereof" or words of like import referring to the Credit

Agreement, and each reference in the other Loan Documents to “the Credit Agreement”, “thereof” or words of like import referring to the Credit Agreement, shall mean and be a reference to the Credit Agreement as modified and amended hereby.

10.2 Except as specifically amended by this Amendment, the Credit Agreement and all other Loan Documents, are and shall continue to be in full force and effect and are hereby in all respects ratified and confirmed and shall constitute the legal, valid, binding and enforceable obligations of the Borrowers to the Lender and Bank Product Providers, except as enforcement may be limited by equitable principles or by bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or limiting creditors’ rights generally.

10.3 The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of the Lender under any of the Loan Documents, nor constitute a waiver of any provision of any of the Loan Documents.

10.4 To the extent that any terms and conditions in any of the Loan Documents shall contradict or be in conflict with any terms or conditions of the Credit Agreement, after giving effect to this Amendment, such terms and conditions are hereby deemed modified or amended accordingly to reflect the terms and conditions of the Credit Agreement as modified or amended hereby.

10.5 This Amendment shall be deemed to be a “Loan Document” (as defined in the Credit Agreement).

11. Ratification. The Loan Parties hereby restate, ratify and reaffirm each and every term and condition set forth in the Credit Agreement and the other Loan Documents to which it is a party, in each case as amended by this Amendment, effective as of the date hereof.

12. Estoppel. To induce the Lender to enter into this Amendment and to continue to make Advances or issue Letters of Credit to or for the account of the Borrowers under the Credit Agreement, the Loan Parties hereby acknowledge and agree that, as of the date hereof, there exists no right of offset, defense, counterclaim or objection in favor of the Loan Parties as against the Lender or any Bank Product Provider with respect to the Obligations.

13. Integration; Conflict; Successors and Assigns; Amendment. This Amendment, together with the other Loan Documents, incorporates all negotiations of the parties hereto with respect to the subject matter hereof and is the final expression and agreement of the parties hereto with respect to the subject matter hereof. In the event of any conflict between this Amendment and the Credit Agreement, the terms of this Amendment shall govern. This Amendment shall bind and inure to the benefit of the respective successors and assigns of each of the parties, subject to the provisions of the Credit Agreement and the other Loan Documents. No amendment or modification of this Amendment shall be effective unless it has been agreed to by Lender in a writing that specifically states that it is intended to amend or modify this Amendment.

14. Severability. In case any provision in this Amendment shall be invalid, illegal or unenforceable, such provision shall be severable from the remainder of this Amendment and the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

[signature pages follow]

IN WITNESS WHEREOF, the parties have entered into this Amendment as of the date first above written.

BORROWERS:

NOVATEL WIRELESS, INC.

By: /s/ Michael A. Newman
Name: Michael A. Newman
Title: Executive Vice President, Chief Financial Officer and Assistant Secretary

ENFORA, INC.

By: /s/ Michael A. Newman
Name: Michael A. Newman
Title: Executive Vice President, Chief Financial Officer and Assistant Secretary

GUARANTORS:

FEENEY WIRELESS, LLC

By: /s/ Michael A. Newman
Name: Michael A. Newman
Title: Secretary

R.E.R. ENTERPRISES, INC.

By: /s/ Michael A. Newman
Name: Michael A. Newman
Title: Secretary

FEENEY WIRELESS IC-DISC, INC.

By: /s/ Michael A. Newman
Name: Michael A. Newman
Title: Secretary

LENDER:

WELLS FARGO BANK,
NATIONAL ASSOCIATION

By: /s/ Robin Van Meter
Name: Robin Van Meter
Title: Authorized Signatory

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: November 7, 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: November 7, 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 September 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: November 7, 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 September 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: November 7, 2016

/s/ MICHAEL NEWMAN

Michael Newman
Chief Financial Officer
(principal financial officer)