

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED: September 30, 2014

COMMISSION FILE NUMBER 001-35850

MICRONET ENERTEC TECHNOLOGIES, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

27-0016420

(I.R.S. Employer
Identification No.)

28 West Grand Avenue, Suite 3, Montvale, NJ

(Address of principal executive offices)

07645

(Zip Code)

(201) 225-0190

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of November 6, 2014, there were 5,831,246 issued and outstanding shares of the registrant's Common Stock, \$0.001 par value per share.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

MICRONET ENERTEC TECHNOLOGIES, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (USD In Thousands, Except Share and Par Value Data)

	September 30, 2014 (Unaudited)	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 6,864	\$ 12,825
Marketable securities	6,617	6,969
Trade accounts receivable, net	15,528	13,467
Inventories	7,239	4,324
Derivative asset - call options	-	460
Other account receivable	1,338	1,165
Total current assets	<u>37,586</u>	<u>39,210</u>
Property, and equipment, net	2,113	2,440
Intangible assets and others, net	4,736	1,076
Goodwill	1,466	-
Long term deposit	51	103
Total long term assets	<u>8,366</u>	<u>3,619</u>
Total assets	<u>\$ 45,952</u>	<u>\$ 42,829</u>

	September 30, 2014 <u>(Unaudited)</u>	December 31, 2013
LIABILITIES AND EQUITY		
Short term bank credit and current portion of long term bank loans	\$ 8,898	\$ 5,058
Current portion of long term notes, net of discount	994	-
Trade accounts payable	7,656	4,361
Other accounts payable	2,673	3,355
Total current liabilities	<u>20,221</u>	<u>12,774</u>
Long term loans from banks and others	4,346	3,130
Long term notes, net of discount	-	933
Finance lease	71	109
Accrued severance pay, net	67	172
Deferred tax liabilities, net	71	113
Total long term liabilities	<u>4,555</u>	<u>4,457</u>
Stockholders' Equity:		
Preferred stock; \$.001 par value, 5,000,000 shares authorized, none issued and outstanding		
Common stock; \$.001 par value, 100,000,000 shares authorized, 5,831,246 shares issued and outstanding as of September 30, 2014 and December 31, 2013	6	6
Additional paid in capital	7,122	8,053
Accumulated other comprehensive income	1,221	1,389
Retained earnings	6,312	8,423
Micronet Enertec Technologies, Inc. stockholders' equity	<u>14,661</u>	<u>17,871</u>
Non-controlling interests	6,515	7,727
Total equity	<u>21,176</u>	<u>25,598</u>
Total liabilities and equity	<u>\$ 45,952</u>	<u>\$ 42,829</u>

MICRONET ENERTEC TECHNOLOGIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(USD In Thousands, Except Share and Earnings Per Share Data)
(Unaudited)

	Nine months ended September 30,		Three months ended September 30,	
	2014	2013	2014	2013
Revenues	\$ 23,568	\$ 26,088	\$ 11,415	\$ 7,956
Cost of revenues	16,790	15,984	8,546	4,366
Gross profit	<u>6,778</u>	<u>10,104</u>	<u>2,869</u>	<u>3,590</u>
Operating expenses:				
Research and development	2,164	2,144	546	755
Selling and marketing	1,209	954	449	276
General and administrative	4,219	2,873	1,738	1,223
Amortization of intangible assets	557	564	306	93
Total operating expenses	<u>8,149</u>	<u>6,535</u>	<u>3,039</u>	<u>2,347</u>
Income (loss) from operations	(1,371)	3,569	(170)	1,243
Financial expenses, net	(811)	(2,119)	(178)	(271)
Income (loss) before provision for income taxes	(2,182)	1,450	(348)	972
Taxes on income	9	298	46	168
Net income (loss)	(2,191)	1,152	(394)	804
Net income (loss) attributable to non-controlling interests	(80)	1,763	112	726
Net Income (loss) attributable to Micronet Enertec Technologies, Inc.	<u>\$ (2,111)</u>	<u>\$ (611)</u>	<u>\$ (506)</u>	<u>\$ 78</u>
Loss (earnings) per share attributable to Micronet Enertec Technologies, Inc.				
Basic and diluted	<u>\$ (0.36)</u>	<u>\$ (0.13)</u>	<u>\$ (0.09)</u>	<u>\$ 0.01</u>
Weighted average common shares outstanding:				
Basic and diluted	<u>5,831,246</u>	<u>4,841,747</u>	<u>5,831,246</u>	<u>5,831,246</u>

MICRONET ENERTEC TECHNOLOGIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(USD In Thousands)
(Unaudited)

	Nine months ended September 30,		Three months ended September 30,	
	2014	2013	2014	2013
Net income (loss)	\$ (2,191)	\$ 1,152	\$ (394)	\$ 804
Other comprehensive income (loss), net of tax:				
Currency translation adjustment	(527)	1,122	(739)	398
Total comprehensive income (loss)	(2,718)	2,274	(1,133)	1,202
Comprehensive income (loss) attributable to the non-controlling interests	(439)	2,058	(290)	921
Comprehensive income (loss) attributable to Micronet Enertec Technologies, Inc.	<u>\$ (2,279)</u>	<u>\$ 216</u>	<u>\$ (843)</u>	<u>\$ 281</u>

MICRONET ENERTEC TECHNOLOGIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(USD In Thousands)
(Unaudited)

	Nine months ended September 30,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ (2,191)	\$ 1,152
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	1,102	801
Change in value of marketable securities	458	(292)
Change in fair value of derivatives, net	296	247
Change in deferred taxes, net	(105)	(187)
Accrued interest and exchange differences on bank loans	(184)	240
Amortization of discount of long term notes, net	61	1,441
Stock based compensation	19	13
Changes in operating assets and liabilities:		
Increase in trade account receivables	(2,146)	(340)
Decrease (increase) in inventories	(1,615)	1,944
Decrease in accrued severance pay, net	(106)	(882)
Increase in other account receivables	(63)	(450)
Increase (decrease) in trade account payables	3,295	(1,183)
Decrease in other account payables	(791)	(1,422)
<i>Net cash provided by (used in) operating activities</i>	<i>\$ (1,970)</i>	<i>\$ 1,082</i>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(153)	(259)
Acquisition of business, net of cash acquired (Appendix A)	(7,105)	-
Acquisition of marketable securities	(106)	(3,113)
<i>Net cash used in investing activities</i>	<i>\$ (7,364)</i>	<i>\$ (3,372)</i>

MICRONET ENERTEC TECHNOLOGIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(USD In Thousands)
(Unaudited)

	Nine months ended September 30,	
	2014	2013
CASH FLOWS FROM FINANCING ACTIVITIES:		
Short term bank credit	\$ 3,176	\$ 4,661
Receipt of long term loans from banks	4,520	-
Repayment of long term loans	(2,370)	(4,689)
Repayment of long term note	-	(1,718)
Issuance of shares and warrants	-	8,669
Acquisition of non-controlling interest	(646)	(676)
Exercise of call option over non-controlling interest	(925)	(312)
Dividend paid to non-controlling interest	-	(681)
<i>Net cash provided by financing activities</i>	<u>\$ 3,755</u>	<u>\$ 5,254</u>
NET CASH INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5,579)	2,964
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	12,825	10,611
TRANSLATION ADJUSTMENT ON CASH AND CASH EQUIVALENTS	(382)	164
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 6,864</u>	<u>\$ 13,739</u>

MICRONET ENERTEC TECHNOLOGIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(USD In Thousands)
(Unaudited)

Appendix A

Acquisition of business, net of cash acquired:

Inventory	\$	(1,360)
Property and equipment		(47)
Intangible assets		(4,232)
Goodwill		(1,466)
Total	\$	<u>(7,105)</u>

MICRONET ENERTEC TECHNOLOGIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(USD In Thousands, Except Per Share Values)
(Unaudited)

NOTE 1 – GENERAL

A. Overview

Micronet Enertec Technologies, Inc., a U.S. based Delaware corporation was formed on January 31, 2002 (Collectively, “we,” “Micronet Enertec” or the “Company”).

We operate through two Israel-based companies, Enertec Systems 2001 Ltd (“Enertec”), our wholly-owned subsidiary, and Micronet Ltd (“Micronet”), in which we currently hold 62.54% of the outstanding issued share capital and is therefore controlled by us.

Micronet is a publicly traded company on the Tel Aviv Stock Exchange and operates in the growing commercial Mobile Resource Management, or MRM market. Micronet designs, develops, manufactures and sells rugged mobile computing devices that provide fleet operators and field workforces with computing solutions in challenging work environments. Micronet’s vehicle cabin installed and portable tablets increase workforce productivity and enhance corporate efficiency by offering computing power and communication capabilities that provide fleet operators with visibility into vehicle location, fuel usage, speed and mileage. Micronet’s customers consist primarily of application service providers and solution providers specializing in the MRM market.

Enertec operates in the Defense and Aerospace markets and designs, develops, manufactures and supplies various customized military computer-based systems, simulators, automatic test equipment and electronic instruments. Enertec’s solutions and systems are designed according to major aerospace integrators’ requirements and are integrated by them into critical systems such as command and control, missile fire control, maintenance of military aircraft and missiles for use by the Israeli Air Force and Navy and by foreign defense entities.

B. Micronet Acquisition

On September 7, 2012, we, through our wholly-owned subsidiary and holding company, Enertec Electronics Ltd, an Israeli corporation (“Enertec Electronics”), acquired from three Israeli individuals who collectively were the former controlling shareholders of Micronet (the “Sellers”), 47.5% of the issued and outstanding shares of Micronet (the “Acquisition”) pursuant to a stock purchase agreement (the “Agreement”). As described below, pursuant to partial exercise of certain options granted to us under the Agreement and additional purchases of shares from former officers of Micronet, we currently own approximately 62.5% of the outstanding ordinary shares of Micronet. The Agreement also includes two call options granted to the Company (via Enertec Electronics) and a put option granted to Sellers.

On November 14, 2012 and on May 28, 2013, the Company, via Enertec Electronics, exercised its right pursuant to the initial call option granted under the Agreement and acquired an additional 996,000 ordinary shares of Micronet for total consideration of \$558, increasing its ownership at such time to 51% of the issued and outstanding shares of Micronet. On August 18, 2013, the Company purchased an additional 600,000 ordinary shares of Micronet from a former executive of Micronet for consideration of \$676 and as a result, increased its holdings at such date to 54.3% of the issued and outstanding shares of Micronet. These holdings were thereafter diluted on November 4, 2013 as a result of the exercise of certain options by Micronet officers. On June 11, 2014, the Company, via Enertec Electronics, exercised its right pursuant to the initial call option granted under the Agreement and acquired 1,200,000 ordinary shares of Micronet for total consideration of \$925, increasing its ownership at such time to 58.6% of the issued and outstanding shares of Micronet. On July 6, 2014, the Company, via Enertec Electronics, acquired 736,341 shares of Micronet from Mr. Rafi Katz, Micronet’s former Chief Executive Officer for consideration of \$642. Following the completion of this last purchase, the Company increased its ownership in Micronet to 62.54% of the issued and outstanding shares of Micronet which reflects its holdings as of the date hereof.

C. Public Offering

During the second quarter of 2013, the Company closed an underwritten public offering of 1,863,000 shares of Common Stock, and warrants to purchase 1,012,500 shares of Common Stock, at an offering price of \$5.00 per share and \$0.01 per warrant. The warrants have a per share exercise price of \$6.25, are exercisable immediately, and expire on April 29, 2018. The gross proceeds to the Company, including the underwriter's exercise of its over-allotment option, were \$9,324 before deduction of issuance costs of \$1,921 payable by the Company. The shares and warrants began trading on the NASDAQ Capital Market on April 24, 2013 under the symbols "MICT" and "MICTW," respectively. The Company analyzed the accounting treatment of the shares and warrants and classified them as equity according to the appropriate accounting guidance.

D. Micronet Acquisition of Beijer US Vehicle Operations

On June 2, 2014, the Company through Micronet, its 62.54% subsidiary, completed the acquisition of certain assets and liabilities (the "Transaction") of Beijer Electronics Inc's. (the "Seller") U.S. vehicle business and operations related to the supply of panels to various transportation sectors (the "Vehicle Business"). The total purchase price of the Transaction was \$ 7,105 out of which \$209 was paid within 90 days following the closing subject to certain inventory adjustments and review. The Vehicle Business results of operations were included in our consolidated reports commencing on the closing date.

The Transaction was financed through, among others, a loan granted to Micronet pursuant to a loan agreement (the "Loan Agreement") entered between Micronet and the First International Bank of Israel (the "Bank" and the "Loan", respectively). Under the Loan Agreement, the Bank loaned Micronet \$4,850 for the financing of the Transaction. Pursuant to the terms of the Loan Agreement, \$2,425 of the Loan bears interest at a quarterly adjustable rate of Prime plus 1.5 percent (3.75% percent as of the date of the Loan) (the "Long Term Portion"). The Long Term Portion plus interest is due and payable in twelve equal consecutive quarterly installments beginning on August 29, 2014. The balance of the loan in the amount of \$2,425 bears interest at a variably rate adjustable rate of Prime plus 1.2 percent (3.45% percent as of the date of the Loan) (the "Short Term Portion"). The Short Term Portion is due and payable within one year from the date of the Loan, subject to renewal, and the interest on the Short Term Portion is due and payable every quarter beginning on August 29, 2014. The Loan is secured mainly by a floating charge against Micronet's assets and a mortgage on a building owned by Micronet. The Loan is subject to customary covenants, terms, conditions, events of default and certain pre-payment provisions.

The purchase consideration was allocated to the tangible assets and intangible assets acquired based on their estimated fair values. The fair value assigned to identifiable intangible assets acquired has been determined by using valuation methods that discount expected future cash flows to present value using estimates and assumptions determined by management. The Company determined that the fair values of assets acquired exceeded the purchase price by approximately \$1,466, which is recognized as goodwill. Upon the purchase price allocation, an amount of \$1,680 was allocated to technology to be amortized over a 5-year period, an amount of \$2,500 was allocated to estimated fair value of the customer relations intangible asset to be amortized over a 5-year period. The table below summarizes the estimates of the fair value of assets acquired at the purchase date.

Inventories	\$	1,360
Property and equipment		47
Identifiable intangible assets:		
Customer relations		2,552
Core technology		1,680
Goodwill		1,466
Total assets acquired	\$	<u>7,105</u>

The contribution of the Vehicle Business results to our consolidated income was \$670 for the four months ended September 30, 2014. The transaction costs amounted to \$369 and were charged mainly to general and administrative expenses.

The unaudited pro forma financial information in the table below summarizes the combined results of our operations and those of the Vehicle Business for the periods shown as though the Transaction occurred as of the beginning of fiscal year 2013. The pro forma financial information for the periods presented includes the business combination accounting effects of the Transaction, including amortization charges from acquired intangible assets. The pro forma financial information presented below is for informational purposes only, is subject to a number of estimates, assumptions and other uncertainties, and is not indicative of the results of operations that would have been achieved if the Transaction had taken place at January 1, 2013. The unaudited pro forma financial information is as follows:

	Nine Months Ended September 30,	
	2014	2013
Total revenues	\$ 27,957	\$ 32,260
Net income (loss)	\$ (1,937)	\$ (993)
Basic earnings (losses) per share	\$ (0.33)	\$ (0.17)
Diluted earnings (losses) per share	\$ (0.33)	\$ (0.17)

NOTE 2 - BASIS OF PRESENTATION AND CONSOLIDATION

Basis of Presentation

The condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial statements and with the instructions to Form 10-Q and Article 10 of Regulation S-X of the U.S. Securities and Exchange Commission, or SEC. Accordingly, they do not contain all information and footnotes required by accounting principles generally accepted in the United States of America for annual financial statements. The condensed consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany balances and transactions have been eliminated in consolidation. In the opinion of the Company's management, the accompanying unaudited condensed consolidated financial statements contain all the adjustments necessary (consisting only of normal recurring accruals) to present the financial position of the Company as of September 30, 2014 and the results of operations and cash flows for the periods presented. The results of operations for the nine months ended September 30, 2014 are not necessarily indicative of the operating results for the full fiscal year or any future period. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2013. The Company's accounting policies are described in the Notes to Consolidated Financial Statements in its Annual Report on Form 10-K for the year ended December 31, 2013, and updated, as necessary, in this Quarterly Report on Form 10-Q.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

Principles of consolidation

The consolidated financial statements comprise the results and position of the Company and its subsidiaries. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its operating activities. In assessing control, legal and contractual rights are taken into account. The consolidated financial statements of subsidiaries are included in the consolidated financial statements from the date that control is achieved until the date that control ceases. Intercompany transactions and balances are eliminated upon consolidation.

Recent Accounting Pronouncements

New accounting standards that are applicable to the period

On March 5, 2013, the Financial Accounting Standard Board ("FASB") issued Accounting Standards Update ("ASU") No. 2013-05, Foreign Currency Matters (Topic 830): Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity ("ASU 2013-05"). Under ASU 2013-05 when a parent sells an investment in a foreign entity and ceases to have a controlling interest in that foreign entity or a foreign subsidiary disposes of substantially all of its assets; or, control of a foreign entity is obtained in which it held an equity interest before the acquisition date, the cumulative translation adjustment should be released into net income. The adoption of ASU 2013-05 does not have a material impact on the companies consolidated financial statements.

In July, 2013, the FASB issued ASU No. 2013-11, Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carry Forward, a Similar Tax Loss, or a Tax Credit Carry Forward Exists ("ASU 2013-11"). ASU 2013-11 eliminates diversity in practice regarding the presentation of an unrecognized tax benefit when a net operating loss carry forward or a tax credit carry forward exists. The adoption of ASU 2013-11 does not have a material impact on the Company's consolidated financial statements.

New accounting standards issued and still not applicable for the period

In April 2014, the FASB issued ASU No. 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. The amendments in this standard change the requirements for reporting discontinued operations in Subtopic 205-20. The amendments in this update will be effective prospectively for annual periods beginning on or after December 15, 2014, and interim periods within those years. The Company does not expect material impacts on the consolidated financial statements upon adoption.

In May 2014, the FASB issued guidance on revenue from contracts with customers that will supersede the most current revenue recognition guidance, including industry-specific guidance. The underlying principle of the guidance is that an entity should recognize revenue upon the transfer of goods or services to customers in an amount that the entity expects to be entitled to in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of the time value of money in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The guidance is effective for the interim and annual periods beginning on or after December 15, 2016 (early adoption is not permitted). The guidance permits the use of either a retrospective or cumulative effect transition method. The Company is currently evaluating the impact of the amended guidance on its consolidated financial statements.

In August 2014, the FASB issued ASU No. 2014-15 "Presentation of Financial Statements - Going Concern (Subtopic 205-40), Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern". The new standard provides guidance on management's responsibility in evaluating whether there is substantial doubt about a company's ability to continue as a going concern and about related footnote disclosures. For each reporting period, management will be required to evaluate whether there are conditions or events that raise substantial doubt about a company's ability to continue as a going concern within one year from the date the financial statements are issued. ASU 2014-15 applies prospectively to annual periods ending after December 15, 2016, and to annual and interim periods thereafter. Early application is permitted. The Company does not expect material impacts on the consolidated financial statements upon adoption.

NOTE 3 – FAIR VALUE MEASUREMENTS

The accounting guidance establishes a valuation hierarchy for disclosure of the inputs to valuation used to measure fair value. This hierarchy prioritizes the inputs into three broad levels as follows:

Level 1 – Observable inputs that reflect unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access at the measurement date.

Level 2 – Observable inputs such as quoted prices for similar instruments and quoted prices in markets that are not active, and inputs that are directly observable or can be corroborated by observable market data. The types of assets and liabilities included in Level 2 are typically either comparable to actively traded securities or contracts, such as treasury securities with pricing interpolated from recent trades of similar securities, or priced with models using highly observable inputs, such as commodity options priced using observable forward prices and volatilities.

Level 3 – Significant inputs to pricing that have little or no observability as of the reporting date. The types of assets and liabilities included in Level 3 are those with inputs requiring significant management judgment or estimation, such as the complex and subjective models and forecasts used to determine the fair value of financial instruments.

Financial assets and liabilities measured at fair value as of September 30, 2014 and December 31, 2013, are summarized below:

	Fair value measurements using input type			
	September 30, 2014			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 6,864	\$ -	\$ -	\$ 6,864
Marketable securities	6,617	-	-	6,617
Derivative liabilities - phantom option	-	(74)	-	(74)
Foreign currency derivatives, net	-	(87)	-	(87)
	<u>\$ 13,481</u>	<u>\$ (161)</u>	<u>\$ -</u>	<u>\$ 13,320</u>

	Fair value measurements using input type			
	December 31, 2013			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 12,825	\$ -	\$ -	\$ 12,825
Marketable securities	6,969	-	-	6,969
Derivative asset - call option	-	460	-	460
Foreign currency derivatives, net	-	55	-	55
	<u>\$ 19,794</u>	<u>\$ 515</u>	<u>\$ -</u>	<u>\$ 20,309</u>

NOTE 4 – INVENTORIES

Inventories are stated at the lower of cost or market, computed using the first-in, first-out method. Inventories consist of the following:

	<u>September 30, 2014</u>	<u>December 31, 2013</u>
Raw materials	\$ 6,387	\$ 3,814
Work in process	852	510
	<u>\$ 7,239</u>	<u>\$ 4,324</u>

NOTE 5 – CONCENTRATION OF CREDIT RISK

A significant portion of our annual revenues during the past two years was derived from few leading customers that are large-scale strategic customers.

For the three and nine months ended September 30, 2014, approximately 64.95% and 69.26% of our sales were from four major customers, respectively, compared to 85.61% and 86.01% from three major customers for the three and nine months ended September 30, 2013, respectively.

NOTE 6 – SEGMENTS

Operating segments are based upon our internal organization structure, the manner in which our operations are managed and the availability of separate financial information. Following the Acquisition of Micronet, we have two operating segments: a defense and aerospace segment operated by Enertec Systems and a mobile resource management segment operated by Micronet.

The following table summarizes the financial performance of our operating segments:

	<u>Nine months ended September 30, 2014</u>		
	<u>Defense and aerospace</u>	<u>Mobile resource management</u>	<u>Consolidated</u>
Revenues from external customers	\$ 8,022	\$ 15,546	\$ 23,568
Segment operating income (loss)	131	136	267
Unallocated expenses			(A) 1,638
Consolidated loss from operations			<u>\$ (1,371)</u>

	<u>Nine months ended September 30, 2013</u>		
	<u>Defense and aerospace</u>	<u>Mobile resource management</u>	<u>Consolidated</u>
Revenues from external customers	\$ 7,245	\$ 18,843	\$ 26,088
Segment operating income	198	4,505	4,703
Unallocated expenses			(A) 1,134
Consolidated loss from operations			<u>\$ 3,569</u>

(A) Includes \$557 and \$564 of intangible assets amortization for the nine months ended September 30, 2014 and 2013, respectively, and \$196 depreciation of inventory gross up for the nine months ended September 30, 2014.

NOTE 7 –SUBSEQUENT EVENTS

On October 3, 2014, the Company filed with the Delaware Secretary of State a Certificate of Amendment to amend Article IV of its Amended and Restated Certificate of Incorporation to decrease the number of authorized shares of Common Stock from 100,000,000 to 25,000,000.

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

This Quarterly Report on Form 10-Q contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and other Federal securities laws, and is subject to the safe-harbor created by such Act and laws. In some cases, you can identify forward-looking statements by terminology such as “may,” “will,” “should,” “expect,” “intend,” “plan,” “anticipate,” “believe,” “estimate,” “predict,” “potential” or “continue,” the negative of such terms, or other variations thereon or comparable terminology. The statements herein and their implications are merely predictions and therefore inherently subject to known and unknown risks, uncertainties, assumptions and other factors that may cause actual results, performance levels of activity, or our achievements, or industry results to be materially different from those contemplated by the forward-looking statements. Such forward-looking statements appear in this Item 2 – “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and may appear elsewhere in this Quarterly Report on Form 10-Q and include, but are not limited to, statements regarding the following:

- the integration of the Vehicle Business following the closing of the Transaction;
- demand for our products as well as future growth, either through internal efforts, development of new products, potential segments and markets or through acquisitions;
- leveraging our experience and other assets we possess within Micronet to enhance Enertec’s offerings;
- levels of research and development costs in the future;
- continuing control of at least a majority of Micronet's share capital;
- the organic and non-organic growth of our business;
- our outlook for the coming months and future periods, including to our expectations regarding future revenue and expenses and capital needs;
- our financing needs; and
- the sufficiency of our capital resources.

Our business and operations are subject to substantial risks, which increase the uncertainty inherent in the forward-looking statements contained or implied in this report. Except as required by law, we assume no obligation to update these forward-looking statements to reflect actual results or changes in factors or assumptions affecting such forward-looking statements. Further information on potential factors that could affect our business is described under the heading “Risk Factors” in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2013. Readers are also urged to carefully review and consider the various disclosures we have made in that report. The following discussion and analysis should be read in conjunction with the Consolidated Financial Statements and related notes included elsewhere in this Quarterly Report on Form 10-Q.

Overview

We operate through two Israeli-based subsidiaries, Enertec Systems 2001 Ltd, or Enertec, our wholly-owned subsidiary, and Micronet Ltd, or Micronet, of which we currently own 62.54% of its outstanding share capital. Enertec and Micronet develop, manufacture, integrate and globally market rugged computers, tablets and computer-based systems and instruments for the commercial, defense and aerospace markets. Enertec's products, solutions and services are designed to perform in severe environments and battlefield conditions.

Micronet operates in the commercial Mobile Resource Management, or MRM, market. It designs, develops, manufactures and sells rugged mobile computing devices that provide fleet operators and field workforces with computing solutions in challenging work environments. Micronet's vehicle cabin installed and portable tablets are designed to increase workforce productivity, enhance corporate efficiency and customer service by offering computing power and communication capabilities. Its products provide fleet operators with visibility into vehicle location, fuel usage, speed and mileage and allow the installation of software applications and communication integration enabling the users to manage the drivers in various aspects such as: driver identification, hours working report, customer/organization working procedures and protocols, rout management and navigation based on tasks and time schedule. End users may also receive real time messages for various services such as pickup and delivery, repair and maintenance, status reports, alerts, notices relating to start and ending of work, digital forms, issuing and printing of invoices and payments.

Enertec operates in the Defense and Aerospace markets and designs, develops, manufactures and supplies various customized military computer-based systems, simulators, automatic test equipment and electronic instruments. Enertec's solutions and systems are designed according to major aerospace integrators' requirements and market technological needs and are integrated by them into critical systems such as command and control, missile fire control, maintenance of military aircraft and missiles for use by the Israeli Air Force, Israeli Navy and by non-Israeli defense entities.

Micronet Acquisition of Beijer US Vehicle Operations

On June 2, 2014, the Company through Micronet, its 62.54% subsidiary, completed the acquisition of certain assets and liabilities, or the Transaction, of Beijer Electronics Inc.'s, or the Seller, U.S. vehicle business and operations related to the supply of panels to various transportation sectors, or the Vehicle Business. The total purchase price of the Transaction was \$7.1 million out of which \$209,000 was paid within 90 days following the closing subject to certain inventory adjustments and review. The Vehicle Business results of operations were included in the Company's consolidated reports commencing on the closing date.

Non-GAAP Financial Measures

In addition to providing financial measurements based on generally accepted accounting principles in the United States of America ("GAAP"), we provide additional financial metrics that are not prepared in accordance with GAAP ("non-GAAP"). Management uses non-GAAP financial measures, in addition to GAAP financial measures, to understand and compare operating results across accounting periods, for financial and operational decision making, for planning and forecasting purposes and to evaluate our financial performance.

Management believes that these non-GAAP financial measures reflect our ongoing business in a manner that allows for meaningful comparisons and analysis of trends in our business, as they exclude expenses and gains that are not reflective of our ongoing operating results. Management also believes that these non-GAAP financial measures provide useful information to investors in understanding and evaluating our operating results and future prospects in the same manner as management and in comparing financial results across accounting periods and to those of peer companies.

The non-GAAP financial measures do not replace the presentation of our GAAP financial results and should only be used as a supplement to, not as a substitute for, our financial results presented in accordance with GAAP.

The non-GAAP adjustments, and the basis for excluding them from non-GAAP financial measures, are outlined below:

- **Amortization of acquired intangible assets** - We are required to amortize the intangible assets, included in our GAAP financial statements, related to the Transaction. The amount of an acquisition's purchase price allocated to intangible assets and term of its related amortization are unique to the Transaction and Acquisition. The amortization of acquired intangible assets are non-cash charges. We believe that such changes do not reflect our operational performance. Therefore, we exclude amortization of acquired intangible assets to provide investors with a consistent basis for comparing pre- and post-Transaction operating results.
- **Amortization of note discount and related expenses** - These interest expenses are non-cash and are related to amortization of discount of the UTA Capital LLC notes, described below under "Liquidity and Capital Resources". Such expenses do not reflect our on-going operations and most of them will be incurred up to the end of fiscal 2014.
- **Change in fair value of call options and warrants** - The change in fair value of the call options relating to the Acquisition is recorded as interest expense. The change in fair value is derived primarily from Micronet's share price and does not reflect our on-going operations.
- **Stock-based compensation** is share based awards granted to certain individuals. They are non-cash and affected by our historical stock prices which are irrelevant to forward-looking analyses and are not necessarily linked to our operational performance.
- **Expenses related to the purchase of a business** - These expenses relate directly to the purchase of the Vehicle Business and consist mainly of legal and accounting fees, finder's fees and travel expenses. We believe that these expenses do not reflect our operational performance. Therefore, we exclude them to provide investors with a consistent basis for comparing pre- and post-Vehicle Business purchase operating results.

The following table reconciles, for the periods presented, GAAP net loss attributable to Micronet Enertec to non-GAAP net income attributable to Micronet Enertec and GAAP loss per diluted share attributable to Micronet Enertec to non-GAAP net income per diluted share attributable to Micronet Enertec:

	Nine months ended	
	September 30,	
	(Dollars in Thousands, other than share and per share amounts)	
	2014	2013
GAAP net loss attributable to Micronet Enertec Technologies, Inc.	\$ (2,111)	\$ (611)
Amortization of acquired intangible assets	557	564
Change in fair value of call options and warrants	307	248
Amortization of note discount and related expenses	61	1,342
Stock-based compensation	19	13
Expenses related to the purchase of a business	369	-
Income tax-effect of above non-GAAP adjustments	(42)	(85)
Total Non-GAAP net income (loss) attributable to Micronet Enertec Technologies, Inc.	\$ (840)	\$ 1,471
Non-GAAP net income (loss) per diluted share attributable to Micronet Enertec Technologies, Inc.	(0.14)	0.3
Shares used in per share calculations	5,831,246	4,979,565
GAAP net income (loss) per diluted share attributable to Micronet Enertec Technologies, Inc.	(0.36)	(0.13)
Shares used in per share calculations	5,831,246	4,841,747

	Three months ended September 30,	
	(Dollars in Thousands, other than share and per share amounts)	
	2014	2013
GAAP net loss attributable to Micronet Enertec Technologies, Inc.	\$ (506)	\$ 78
Amortization of acquired intangible assets	306	93
Change in fair value of call options and warrants	-	55
Amortization of note discount and related expenses	6	154
Stock-based compensation	6	7
Expenses related to the purchase of a business	79	-
Income tax-effect of above non-GAAP adjustments	(14)	(14)
Total Non-GAAP net income (loss) attributable to Micronet Enertec Technologies, Inc.	\$ (123)	\$ 373
Non-GAAP net income (loss) per diluted share attributable to Micronet Enertec Technologies, Inc.	0.02	0.06
Shares used in per share calculations	5,831,246	5,831,246
GAAP net income (loss) per diluted share attributable to Micronet Enertec Technologies, Inc.	(0.09)	0.01
Shares used in per share calculations	5,831,246	5,831,246

Results of Operations

Three and Nine Months Ended September 30, 2014 Compared to Three and Nine Months Ended September 30, 2013

Revenues for the three and nine months ended September 30, 2014 were \$11,415,000 and \$23,568,000, respectively, compared to \$7,956,000 and \$26,088,000 for the three and nine months ended September 30, 2013, respectively. This represents an increase of \$3,459,000 and a decrease of \$2,520,000, or an increase of 43% and a decrease of 10%, for the three and nine months ended September 30, 2014, respectively. The increase in revenues for the three months ended September 30, 2014, is primarily due to an increase in the U.S. subsidiary, Micronet Inc's revenues of \$5,220,000 as a result of the acquisition of the U.S. Vehicle Business. The decrease in revenues for the nine months ended September 30, 2014 is primarily due to a decrease in Micronet's revenues mainly due to a decline of quantities and prices in orders from a major client during the three and nine months ended September 30, 2014. Enertec's revenues increased by \$1,166,000 and \$777,000, or 58% and 11%, respectively, for the three and nine months ended September 30, 2014, compared to the previous period last year.

Total revenues related to the aerospace and defense segment for the three and nine months ended September 30, 2014 were \$3,170,000 and \$8,022,000, respectively. Total revenues related to the MRM segment for the three and nine months ended September 30, 2014 were \$8,245,000 and \$15,546,000, respectively.

Gross profit decreased by \$721,000 and \$3,326,000, to \$2,869,000 and \$6,778,000, respectively, and represents 25% and 29% of the revenues for the three and nine months ended September 30, 2014, respectively. This is in comparison to gross profit of \$3,590,000 and \$10,104,000 which represented 45% and 39% of the revenues for the three and nine months ended September 30, 2013, respectively. Micronet's gross profit decreased from 51% and 44% in the three and nine months ended September 30, 2013 to 26% and 32%, respectively, for the same period in 2014, mainly due to a reduction of unit volumes and prices to a major client. Enertec's gross profit decreased from 29% and 25% in the three and nine months ended September 30, 2013 to 22% and 23%, respectively, for the same period in 2014, mainly due to changes in product mix. The contribution of the U.S. Vehicle Business to our gross profit was \$1,796,000 for the four months ended September 30, 2014.

Selling and Marketing

Selling and marketing costs are part of operating expenses. Selling and marketing costs for the three and nine months ended September 30, 2014 were \$449,000 and \$1,209,000, respectively, compared to \$276,000 and \$954,000 for the three and nine months ended September 30, 2013, respectively. This represents an increase of \$173,000 and \$255,000, or 63% and 27%, for the three and nine months ended September 30, 2014, respectively. The increases are primarily due to enlarging the sales team of our MRM operation in the United States and travel expenses, as well as marketing expenses and initial consolidation of the U.S. Vehicle Business.

General and Administrative

General and administrative costs are part of operating expenses. General and administrative costs for the three and nine months ended September 30, 2014 were \$1,738,000 and \$4,219,000, respectively, compared to \$1,223,000 and \$2,873,000 for the three and nine months ended September 30, 2013, respectively. This represents an increase of \$515,000 and \$1,346,000, or 42% and 47%, for the three and nine months ended September 30, 2014, respectively. The increases are mainly due to approximately \$206,000 and \$462,000 initial consolidation of the U.S. Vehicle Business for the three and nine months ended September 30, 2014, respectively, doubtful debt expenses of Micronet of \$496,000 for the three and nine months ended September 30, 2014, and approximately \$38,000 and \$215,000 expenses attributed to the Acquisition for the three and nine months ended September 30, 2014, respectively.

Research and Development Costs

Research and development costs are part of operating expenses. Research and development costs which include mainly wages, materials and sub-contractors for the three and nine months ended September 30, 2014 were \$546,000 and \$2,164,000, respectively, compared to \$755,000 and \$2,144,000 for the three and nine months ended September 30, 2013, respectively. This represents a decrease of \$209,000 and an increase of \$20,000, or a decrease of 27% and an increase of 1%, for the three and nine months ended September 30, 2014, respectively. The decrease for the three months ended September 30, 2014 is primarily due to grants received from the Israel Office of Chief Scientist by Micronet. Micronet invests a large portion of its income in research and development, which includes research and development personnel, sub-contractors and product development, which represented \$415,000 and \$1,768,000 for the three and nine months ended September 30, 2014, respectively, compared to \$683,000 and \$1,933,000 for the three and nine months ended September 30, 2013, respectively, out of total research and development costs of the Company.

During 2013, Micronet participated in programs sponsored by the Israeli Government for the support of research and development activities. Through the nine months ended September 30, 2014, the Company had obtained grants from the Office of the Chief Scientist, or OCS, in the amount of approximately \$289,000 and \$437,000, for the three and nine months ended September 30, 2014, respectively for certain of its research and development projects. The Company is obligated to pay royalties to the OCS, amounting to 3%-3.5% of the sales of the products and other related revenues generated from such projects, up to 100% of the grants received, linked to the Libor interest rate.

Net Income (Loss) from operations

Our net loss from operations for the three and nine months ended September 30, 2014 was \$170,000 and \$1,371,000, respectively, compared to net income from operations of \$1,243,000 and \$3,569,000 for the three and nine months ended September 30, 2013, respectively. The decreases are mainly a result of the decreases in gross profit and increases in operating expenses as described above.

Finance Expenses, net

Finance expenses net, for the three and nine months ended September 30, 2014 were \$178,000 and \$811,000, respectively, compared to expenses of \$271,000 and \$2,119,000 for the three and nine months ended September 30, 2013, respectively. This represents a decrease of \$93,000 and \$1,308,000, for the three and nine months ended September 30, 2014, respectively. The decrease in finance expense in the three and nine months ended September 30, 2014 as compared to the three and nine months ended September 30, 2013 was primarily due to decreases in amortization of note discount related to UTA Capital LLC, or UTA, following a partial repayment of the note in the amount of \$1,467,000 during the first nine months of 2013.

Net Income (loss) attributed to Micronet Enertec Technologies, Inc.

Our net loss attributed to Micronet Enertec Technologies, Inc. was \$506,000 and \$2,111,000 in the three and nine months ended September 30, 2014, respectively, compared to net income of \$78,000 and net loss of \$ 611,000 in the three and nine months ended September 30, 2013, respectively. This represents an increase in net loss of \$584,000 and \$1,500,000 as compared with the last period.

Liquidity and Capital Resources

The Company finances its operations through current revenues, loans and fundraising. The loans are divided into bank loans and a loan from UTA, as described below.

As of September 30, 2014, our total cash and cash equivalents balance was \$6,864,000 and our marketable securities amounted to \$6,617,000. These balances, as compared to \$12,825,000 and \$6,969,000, respectively, as of December 31, 2013, reflect a decrease of \$5,961,000 in cash and cash equivalents and a decrease of \$352,000 in marketable securities. The main reason for the decrease in cash is a \$2,300,000 cash payment for the Vehicle Business acquisition.

The Transaction was financed through, among others, a loan granted to Micronet pursuant to a loan agreement, or the Loan Agreement, entered between Micronet and the First International Bank of Israel, or the Bank and the Loan, respectively. Under the Loan, the Bank loaned Micronet \$4.85 million for the financing of the Transaction. Pursuant to the terms of the Loan Agreement, \$2.425 million of the Loan bears interest at a quarterly adjustable rate of Prime plus 1.5 percent (3.75% percent as of the date of the Loan), or the Long Term Portion. The Long Term Portion plus interest is due and payable in twelve equal consecutive quarterly installments beginning on August 29, 2014. The balance of the Loan in the amount of \$2.425 million bears interest at a quarterly adjustable rate of Prime plus 1.2% (3.45% as of the date of the Loan), or the Short Term Portion. The Short Term Portion is due and payable within one year from the date of the Loan, and the interest on the Short Term Portion is due and payable every quarter on August 29, 2014. The Loan is secured mainly by a floating charge against Micronet's assets and a mortgage on a building owned by Micronet. The Loan is subject to customary covenants, terms, conditions, events of default and certain pre-payment provisions.

On June 17, 2014, Enertec entered into a loan agreement, or the Mercantile Loan Agreement, with Mercantile Discount Bank Ltd., or Mercantile Bank, pursuant to which Mercantile Bank agreed to loan the Company approximately \$3,631,000 on certain terms and conditions, or the Mercantile Loan. The proceeds of the Mercantile Loan were used by the Company: i) to refinance previous loans granted to the Company in the amount of approximately \$1,333,000; ii) to complete the purchase by the Company, via Enertec, of 1.2 million shares of Micronet constituting 6.3% of the issued and outstanding shares of Micronet; and iii) for working capital and general corporate purposes.

Pursuant to the terms of the Mercantile Loan Agreement, approximately \$3,050,000 of the Mercantile Loan bears interest at a quarterly adjustable rate of Prime plus 2.45 percent (4.745% percent as of the date of the Mercantile Loan), or the Mercantile Long Term Portion. The Mercantile Long Term Portion is due and payable in five equal consecutive annual installments beginning on July 1, 2015, and the interest on the Mercantile Long Term Portion is due and payable in ten equal consecutive annual installments beginning at January 1, 2015. The balance of the Mercantile Loan in the amount of approximately \$581,000 bears interest of Prime plus 1.8% percent (4.05% percent as of September 30, 2014), or the Mercantile Short Term Loan. The Mercantile Short Term Loan is an on demand loan. As of September 30, 2014 this short term loan was not taken. The Mercantile Loan is secured mainly by i) a negative pledge on Enertec's assets, (ii) a pledge of Enertec's financial deposits which shall be equal to 25% of Enertec's outstanding credit balance, and (iii) a fixed charge of Micronet shares at such value equal to at least 200% of the outstanding net balance of the Mercantile Loan. The Mercantile Loan is subject to customary covenants, terms, conditions, events of default and certain pre-payment provisions.

Pursuant to the terms of the Mercantile Loan Agreement, the parties agreed to grant Mercantile Bank a five-year Phantom Stock Option, or the Phantom Stock Option, pursuant to which Mercantile Bank is entitled to participate in the future appreciation of the Company's shares and receive a cash amount equal to the increase in the value of the shares underlying the Phantom Stock Option on certain terms and conditions. The Phantom Stock Option allows Mercantile Bank to theoretically exercise, on a cashless basis, options to purchase 1,144,820 shares of Micronet, or the Option Shares, and to receive a cash amount equal to the difference between approximately 4 million new Israeli shekels or NIS, (representing 110 percent of the average market value of Micronet Option Shares during the 30 trading days prior to the date of the Mercantile Loan) and the actual market price of such Option Shares on the date of the exercise of the Phantom Stock Option. Pursuant to the Mercantile Loan Agreement, the parties further agreed that the potential gain to Mercantile Bank resulting from the Phantom Stock Option shall not exceed 3 million NIS. In the event the Mercantile Loan is repaid prior to the third anniversary of the Mercantile Loan, the gain to Mercantile Bank resulting from the Phantom Stock Option shall not exceed 2 million NIS. As of the date of the Mercantile Loan the exercise price of the Phantom Stock Options is higher than the market price of the Option Shares.

As of September 30, 2014, our total assets were \$45,952,000 as compared to \$42,829,000 at December 31, 2013. Our trade accounts receivable at September 30, 2014 were \$15,528,000 as compared to \$13,467,000 at December 31, 2013. The increase in accounts receivable is primarily due to the initial consolidation of the U.S. Vehicle Business.

As of September 30, 2014, our working capital was \$17,365,000 as compared to \$26,436,000 at December 31, 2013. The decrease in working capital is due primarily to the decrease in cash and cash equivalents and an increase in short term loans.

As of September 30, 2014, our total debt was \$14,238,000 as compared to \$9,121,000 at December 31, 2013. This represents an increase of \$5,117,000 in our total debt mainly due to the acquisition of the Vehicle Business.

Our debt includes our bank debt described above, a working capital credit facility and a loan from UTA:

- Our bank debt is composed of short-term loans to Enertec Electronics, Enertec and Micronet amounting to \$8,898,000 as of September 30, 2014 compared to \$5,058,000 at December 31, 2013, and long-term loans amounting to \$4,346,000 as of September 30, 2014 compared to \$3,130,000 at December 31, 2013. The short-term loans have interest rates between Israeli prime (currently 1.75%) plus 0.7% to 3.75%. The long-term loans have maturity dates between May 2017 and July 2019 and have interest rates between Israeli prime plus 1.25% to 3.75%.
- Enertec has covenanted under its bank loan, among other things that (i) its shareholder's equity according to its financial statements will not be below 17 million NIS, and (ii) its shareholder's equity will not be lower than 30% of the total liabilities on its balance sheet. Enertec has met all of its bank covenants as of September 30, 2014.
- Enertec Electronics has covenanted under its bank loan mainly that the Company will present separate financial statements equity of not less than 32.5% of total assets.

- In addition, Micronet has undertaken under its bank loan documents the following financial covenants mainly: (i) a cash balance of not less than 15 million NIS; (ii) a minimum equity of 30 million NIS and (iii) total solvency ratio of not less than 30%.
- The outstanding balance of the loan from UTA in the amount of \$994,000 with an initial interest rate equal to 8% per annum, which is due in one payment on January 10, 2015.
- Enertec Systems has been maintaining a working capital credit facility with several Israeli banks in the amount of up to \$5.1 million. This credit facility is subject to customary covenants, terms and conditions and is secured by a floating charge against Enertec's assets.

On April 29, 2013, we closed an underwritten public offering of 1,863,000 shares of common stock, including 243,000 shares of common stock issued pursuant to the exercise of the underwriter's over allotment option and issued warrants to purchase 1,012,500 shares of common stock (including 121,500 pursuant to the over allotment option), at an offering price of \$5.00 per share and \$0.01 per warrant. The warrants have a per share exercise price of \$6.25, are currently exercisable and expire in 2018.

Financing Needs

Although we currently do not have any material commitments for capital expenditures, we expect our capital requirements to increase over the next several years as we continue to support the organic and non-organic growth of our business. Among other activities, we plan to develop, manufacture and market larger-scale solutions, support our growing manufacturing and finance needs, continue the development and testing of our suite of products and systems, increase management, marketing and administration infrastructure, and embark on developing in-house business capabilities and facilities. Our future liquidity and capital funding requirements will depend on numerous factors, including but not limited to (i) the levels and costs of our research and development initiatives, (ii) the cost of hiring, training and certifying additional highly skilled professionals (mainly engineers and technicians), and maintaining our management including sales and marketing personnel to promote our products, and (iii) the cost and timing of the expansion of our development, manufacturing and marketing efforts.

The Company expects to pay the balance of the UTA loan by January 2015 and \$1,575,000 as the current portion of certain bank loans and short term bank loans of \$7,323,000 using its cash flow from operations or possibly additional debt or equity financings (including sales of common stock under the Company's shelf registration statement).

The Company has an effective Form S-3 registration statement, filed under the Securities Act of 1933, as amended, with the Securities and Exchange Commission using a "shelf" registration process. Under this shelf registration process, the Company may, from time to time, sell common stock, warrants or units in one or more offerings up to a total dollar amount of \$30 million.

Based on our current business plan, we anticipate that our existing cash balances and cash generated from future sales will be sufficient to permit us to conduct our operations and to carry out our contemplated business plans for the next twelve months. However, we believe that we may need to raise additional funds if we want to materially decrease our dependence on our existing cash and other liquidity resources. Currently, the only external sources of liquidity are our banks, and we may seek additional financing from them or through securities offerings to expand our operations, using new capital to develop new products, enhance existing products or respond to competitive pressures. However, we may undertake additional debt or equity financings (including sales of common stock, warrants or units under our shelf registration statement) to better enable us to grow and meet our future operating and capital requirements. There is no assurance that we will be able to consummate such offerings on favorable terms or at all.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect that is material to investors on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Item 3. Quantitative and Qualitative Disclosures about Market Risks.

Not applicable

Item 4. Controls and Procedures.**Evaluation of Disclosure Controls and Procedures**

Pursuant to Rule 13a-15(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Company carried out an evaluation with the participation of the Company's management, including Mr. David Lucatz, the Company's Chief Executive Officer ("CEO") and Mrs. Tali Dinar, the Company's Chief Financial Officer ("CFO"), of the effectiveness of the Company's disclosure controls and procedures (as defined under Rule 13a-15(e) or Rule 15d-15(e) under the Exchange Act) as of September 30, 2014. Based upon that evaluation, the Company's CEO and CFO concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in the reports that the Company 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 the Company's CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

Changes in internal control over financial reporting

No change occurred in the Company's internal control over financial reporting during the quarterly period ended September 30, 2014 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II- OTHER INFORMATION

Item 6. Exhibits.

Exhibit Number	Description
3.1	Composite Copy of the Certificate of Incorporation of the Company, as amended to date (Incorporated by reference to Exhibit 4.1 of the Company's Registration Statement on Form S-8 (File No. 333-199752), filed with the Securities and Exchange Commission on October 31, 2014).
3.2*	Composite Copy of the Certificate of Incorporation of the Company, as amended to date (marked copy).
3.3	Amended and Restated Bylaws of the Company (Incorporated by reference to Exhibit 3.5 of Amendment No. 2 to our Registration Statement on Form S-1 (File No. 333-185470), filed with the Securities and Exchange Commission on March 18, 2013).
10.1	Micronet Enertec Technologies, Inc. 2014 Stock Incentive Plan (Incorporated by reference to Exhibit "C" to our Proxy Statement (File No. 001-35850), filed with the Securities and Exchange Commission on August 26, 2014).
10.2	Lapis Technologies, Inc. 2012 Stock Incentive Plan, as amended to date (Incorporated by reference to Exhibit 99.1 of the Company's Registration Statement on Form S-8 (File No. 333-199752) filed with the Securities and Exchange Commission on October 31, 2014).
10.3*	Form of Option Agreement
31.1*	Rule 13a-14(a) Certification of Chief Executive Officer.
31.2*	Rule 13a-14(a) Certification of Chief Financial Officer.
32.1**	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350.
32.2**	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350.
101*	The following materials from Micronet Enertec Technologies, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2014, formatted in XBRL (Extensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Income, (iii) Condensed Consolidated Statements of Comprehensive Income, (iv) Condensed Consolidated Statements of Cash Flows, and (v) Notes to Condensed Consolidated Financial Statements.
*	Filed herewith
**	Furnished herewith

SIGNATURES

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

MICRONET ENERTEC TECHNOLOGIES, INC.

Date: November 6, 2014

By: /s/ David Lucatz
David Lucatz
President and Chief Executive Officer
(Principal Executive Officer)

Date: November 6, 2014

By: /s/ Tali Dinar
Tali Dinar
Secretary and Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)

EXHIBIT INDEX

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3.2*	Composite Copy of the Certificate of Incorporation of the Company, as amended to date (marked copy).
3.3	Amended and Restated Bylaws of the Company (Incorporated by reference to Exhibit 3.5 of Amendment No. 2 to our Registration Statement on Form S-1 (File No. 333-185470), filed with the Securities and Exchange Commission on March 18, 2013).
10.1	Micronet Enertec Technologies, Inc. 2014 Stock Incentive Plan (Incorporated by reference to Exhibit "C" to our Proxy Statement (File No. 001-35850), filed with the Securities and Exchange Commission on August 26, 2014).
10.2	Lapis Technologies, Inc. 2012 Stock Incentive Plan, as amended to date (Incorporated by reference to Exhibit 99.1 of the Company's Registration Statement on Form S-8 (File No. 333-199752) filed with the Securities and Exchange Commission on October 31, 2014).
10.3*	Form of Option Agreement
31.1*	Rule 13a-14(a) Certification of Chief Executive Officer.
31.2*	Rule 13a-14(a) Certification of Chief Financial Officer.
32.1**	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350.
32.2**	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350.
101*	The following materials from Micronet Enertec Technologies, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2014, formatted in XBRL (Extensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Income, (iii) Condensed Consolidated Statements of Comprehensive Income, (iv) Condensed Consolidated Statements of Cash Flows, and (v) Notes to Condensed Consolidated Financial Statements.
*	Filed herewith
**	Furnished herewith

CERTIFICATE OF INCORPORATION
OF
MICRONET ENERTEC TECHNOLOGIES, INC.

January 31, 2002

As amended April 23, 2002, October 17, 2002, March 14, 2013 and October 1, 2014

The undersigned, for the purpose of organizing a corporation for conducting the business and promoting the purposes hereinafter stated, under the provisions and subject to the requirements of the laws of the State of Delaware (particularly Chapter 1, Title 8 of the Delaware Code and the acts amendatory thereof and supplemental thereto, and known, identified, and referred to as the "General Corporation Law of the State of Delaware"), hereby certifies that:

ARTICLE I

NAME OF CORPORATION

The name of the corporation is Micronet Enertec Technologies, Inc. (the "Corporation").

ARTICLE II

REGISTERED OFFICE

The address, including street, number, city, and county, of the registered office of the corporation in the State of Delaware is 615 South DuPont Highway, Dover, Delaware 19901, County of Kent; and the name of the registered agent of the corporation in the State of Delaware at such address is National Corporate Research, Ltd.

ARTICLE III

PURPOSE

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware (the "GCL").

ARTICLE IV

AUTHORIZED STOCK

The total number of shares of all classes of stock which the Corporation shall have authority to issue shall be ~~one hundred five million (105,000,000)~~ thirty million (30,000,000) shares, of which ~~one hundred million (100,000,000)~~ twenty five million (25,000,000) shares shall be common stock, par value \$0.001 per share (the "Common Stock"), and five million (5,000,000) shares shall be preferred stock, par value \$0.001 per share (the "Preferred Stock"). All of the shares of Common Stock shall be of one class.

Upon the Certificate of Amendment becoming effective pursuant to the General Corporation Law of the State of Delaware (the "Effective Date"), the Corporation shall implement a reverse stock split of its Common Stock (the "Reverse Split"), whereby every two (2) shares of Common Stock issued and outstanding of record immediately prior to the Effective Date (the "Old Common Stock") shall be automatically reclassified as, and converted into, one (1) share of Common Stock (the "New Common Stock").

Notwithstanding the provisions of the foregoing paragraph, no fractional shares of New Common Stock shall be issued in connection with the Reverse Split. In lieu of receipt of fractional shares in the Reverse Split, each holder shall receive an amount in cash equal to the product of (i) the fractional share of New Common Stock that a holder would otherwise be entitled to, multiplied by (ii) a price determined by the Board in its discretion as the fair market value per share of New Common Stock on the business day prior to the effective date of this Certificate of Amendment.

Each stock certificate that immediately prior to the Effective Date represented shares of Old Common Stock shall, from and after the Effective Date, be exchanged for a stock certificate that represents that number of whole shares of New Common Stock into which the shares of Old Common Stock represented by such certificate shall have been reclassified; provided, however, that the Reverse Split will occur without any further action on the part of stockholders and without regard to the date or dates on which certificates formerly representing shares of Old Common Stock are physically surrendered. Upon the consummation of the Reverse Split, each certificate formerly representing shares of Old Common Stock, until surrendered and exchanged for certificates representing shares of New Common Stock, will be deemed for all corporate purposes to evidence ownership of the resulting number of shares of New Common Stock.

The shares of Preferred Stock shall be undesignated Preferred Stock and may be issued from time to time in one or more series pursuant to a resolution or resolutions providing for such issuance and duly adopted by the Board of Directors of the Corporation, authority to do so being hereby expressly vested in the Corporation's Board of Directors. The Board of Directors is further authorized to determine or alter the rights, preferences, privileges and restrictions granted to or imposed upon any wholly unissued series of Preferred Stock and to fix the number of shares of any series of Preferred Stock and the designation of any such series of Preferred Stock. The Board of Directors of the Corporation, within the limits and restrictions stated in any resolution or resolutions of the Board of Directors originally fixing the number of shares constituting any series, may increase or decrease (but not below the number of shares in any such series then outstanding) the number of shares of any series subsequent to the issuance of shares of that series.

The authority of the Board of Directors of the Corporation with respect to each such class or series of Preferred Stock shall include, without limitation of the foregoing, the right to determine and fix:

the distinctive designation of such class or series and the number of shares to constitute such class or series;

the rate at which dividends on the shares of such class or series shall be declared and paid or set aside for payment, whether dividends at the rate so determined shall be cumulative or accruing, and whether the shares of such class or series shall be entitled to any participating or other dividends in addition to dividends at the rate so determined, and if so, on what terms;

the right or obligation, if any, of the Corporation to redeem shares of the particular class or series of Preferred Stock and, if redeemable, the price, terms and manner of such redemption;

the special and relative rights and preferences, if any, and the amount or amounts per share, which the shares of such class or series of Preferred Stock shall be entitled to receive upon any voluntary or involuntary liquidation, dissolution or winding up of the Corporation;

the terms and conditions, if any, upon which shares of such class or series shall be convertible into, or exchangeable for, shares of capital stock of any other class or series, including the price or prices or the rate or rates of conversion or exchange and the terms of adjustment, if any;

the obligation, if any, of the Corporation to retire, redeem or purchase shares of such class or series pursuant to a sinking fund or fund of a similar nature or otherwise, and the terms and conditions of such obligations;

voting rights, if any, on the issuance of additional shares of such class or series or any shares of any other class or series of Preferred Stock;

limitations, if any, on the issuance of additional shares of such class or series or any shares of any other class or series of Preferred Stock;

such other preferences, powers, qualifications, special or relative rights and privileges thereof as the Board of Directors of the Corporation, acting in accordance with this Certificate of Incorporation, may deem advisable and are not inconsistent with the law and the provisions of this Certificate of Incorporation.

ARTICLE V
INCORPORATOR

The incorporator of the Corporation is Kaplan Gottbetter & Levenson, LLP, having a mailing address of 630 Third Avenue, 5th Floor, New York, New York 10017.

ARTICLE VI
ELECTION OF DIRECTORS

The election of directors of the Corporation need not be by written ballot unless otherwise required by the by-laws of the Corporation.

ARTICLE VII
BY-LAWS

In furtherance and not in limitation of the powers conferred by the laws of the State of Delaware, the Board of Directors of the Corporation is expressly authorized to make, alter and repeal by-laws of the Corporation, subject to the power of the stockholders of the Corporation to alter or repeal any by-law, whether adopted by them or otherwise.

ARTICLE VIII
NUMBER OF DIRECTORS

The number of directors that constitutes the entire Board of Directors of the Corporation shall be as specified in the by-laws of the Corporation.

ARTICLE IX
MEETINGS OF STOCKHOLDERS

Meetings of stockholders of the Corporation may be held within or without the State of Delaware, as the by-laws of the Corporation may provide. The books of the Corporation may be kept (subject to any provisions of applicable statutes) outside the State of Delaware at such place or places as may be designated from time to time by the Board of Directors of the Corporation.

ARTICLE X
LIMITATION ON LIABILITY OF DIRECTORS;
INDEMNIFICATION OF DIRECTORS AND OFFICERS;
PERSONAL LIABILITY OF DIRECTORS

The Corporation shall indemnify each of the Corporation's directors and officers in each and every situation where, under Section 145 of the GCL, as amended from time to time ("Section 145"), the Corporation is permitted or empowered to make such indemnification. The Corporation may, in the sole discretion of the Board of Directors of the Corporation, indemnify any other person who may be indemnified pursuant to Section 145 to the extent that the Board of Directors deems advisable, as permitted by Section 145.

No director shall be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, provided, however, that the foregoing shall not eliminate or limit the liability of a director of the Corporation (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the GCL or (iv) for any transaction from which the director derived an improper personal benefit. If the GCL is subsequently amended to further eliminate or limit the liability of a director, then a director of the Corporation, in addition to the circumstances in which a director is not personally liable as set forth in the preceding sentence, shall not be liable to the fullest extent permitted by the amended GCL. For purposes of this Article X, "fiduciary duty as a director" shall include any fiduciary duty arising out of service at the Corporation's request as a director of another corporation, partnership, joint venture or other enterprise, and "personal liability to the Corporation or its stockholders" shall include any liability to such other corporation, partnership, joint venture, trust or other enterprise and any liability to the Corporation in its capacity as a security holder, joint venturer, partner, beneficiary, creditor or investor of or in any such other corporation, partnership, joint venture, trust or other enterprise.

Neither any amendment nor repeal of this Article X nor the adoption of any provision of this Certificate of Incorporation inconsistent with this Article X shall eliminate or reduce the effect of this Article X in respect of any matter occurring, or any cause of action, suit or claim that, but for this Article X, would accrue or arise, prior to such amendment, repeal or adoption of an inconsistent provision.

ARTICLE XI

COMPROMISE OR ARRANGEMENT

Whenever a compromise or arrangement is proposed between this Corporation and its creditors or any class of them and/or between this Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of this Corporation or on the application of any receiver or receivers appointed for this Corporation under Section 291 of the GCL or on the application of trustees in dissolution or of any receiver or receivers appointed for this Corporation under Section 279 of the GCL, order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of this Corporation as consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders of this Corporation as the case may be, and also on this Corporation.

ARTICLE XII

AMENDMENT OF PROVISIONS OF CERTIFICATE OF INCORPORATION

The Corporation reserves the right at any time, and from time to time, to amend, alter, change or repeal any provisions contained in this Certificate of Incorporation, and other provisions authorized by the State of Delaware at the time in force may be added or inserted, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation.

Micronet Enertec Technologies, Inc.

2012 Stock Incentive Plan

FORM OF OPTION AGREEMENT

By and between

Micronet Enertec Technologies, Inc.

A Delaware corporation

(the "Company")

and

Name: _____

Address: _____

(the "Optionee")

I. NOTICE OF OPTION GRANT

Name of the Optionee: _____

Address: _____

The undersigned Optionee has been granted an option to purchase shares of the Company's Common Stock, \$0.001 par value per share, (the "Option"), subject to the terms and conditions of the Company's 2012 Stock Incentive Plan, as amended (the "Plan"), and this Option Agreement (the "Option Agreement"), as follows:

Grant Number _____

Date of Grant and Vesting period [•] options granted on _____, vested as follows: [•] options vested on _____; [•] options vested on _____; and [•] options vested on _____, respectively;

Exercise Price per Share [•] options at an exercise price of US\$ __ per share.

Total Number of Options Granted [•]

Total Exercise Price US\$ _____

Designation under Section 102 of the Israeli Income Tax Ordinance [New Version], 1961 as amended, and the regulations thereunder (the "Tax Ordinance") or Section 422 of the Internal Revenue Code of 1986, as amended, and the regulations thereunder (the "Code"):

f **Incentive Stock Option**

f **Non-Qualified Incentive Option**

Term/Expiration Date: Ten (10) years from Date of Grant, unless terminated earlier in accordance with Section 8 of the Plan.

Vesting Dates:

- The Option shall vest in numbers of whole shares, subject to Optionee's continuing to be an Employee, member of the Board or service provider of the Company or a subsidiary of the Company, as the case may be, through the applicable vesting date, according to the following vesting schedule (the "Vesting Schedule"): _____
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II. AGREEMENT

1. Definitions

- (a) Capitalized terms used herein and not otherwise defined shall have the meaning attributed to such terms in the Plan.
- (b) The undersigned Optionee has been granted the Option to purchase shares of Common Stock of the Company. The Option is granted in accordance with the terms and conditions hereby specified and attached in the notice of Option Grant (the "Notice of Grant"), and subject to the terms and conditions of the Plan, this Option Agreement, the Code and the Tax Ordinance.

2. Grant of Option

- (a) Subject to the terms and conditions set forth herein and in the Plan, the Company hereby grants to the Optionee, an Option on the terms set forth in the Notice of Grant.
- (b) In accordance with the provisions of the Plan, in the event of a conflict between the terms and conditions of the Plan and this Option Agreement, the terms and conditions of the Plan shall prevail.
- (c) The Optionee is aware that: (i) the Company intends to issue additional awards in the future to various individuals, as the Company in its sole discretion shall determine; and (ii) the Company may increase its share capital by new securities in such amount as it finds necessary and appropriate; and the Optionee hereby waives any claim and/or demand it has or may have regarding such issuance or increase.
- (d) The Optionee further represents that he is familiar with the Company's business and financial condition, and has acquired sufficient information regarding the Company in order to reach an informed and knowledgeable decision to participate in the Plan and to receive the Option.

3. Exercise of Option

- (a) **Right to Exercise.** The Option shall be exercisable from the Date of Grant and prior to the expiration date of the term in accordance with the Vesting Schedule, the applicable provisions of the Plan and this Option Agreement.
 - (b) **Method of Exercise.** The Option shall be exercisable by delivery of an exercise notice in the form attached hereto as Exhibit B (the "Exercise Notice"), and such other representations and agreements, as may be required by the Company. In addition, Optionee hereby agrees to sign any and all documents as may be required by law in connection with the exercise of the Option. The Exercise Notice shall be accompanied by (1) payment of the aggregate Exercise Price for the number of shares to be purchased and (2) payment of the aggregate withholding taxes due with respect to the exercised shares, if applicable. The Option shall be deemed to be exercised upon receipt by the Company of such fully executed Exercise Notice accompanied by the aggregate Exercise Price and withholding taxes due with respect to the exercised Option, if applicable.
 - (c) No shares shall be issued pursuant to the exercise of the Option unless such issuance and such exercise comply with all applicable laws and regulations. If any law or regulation requires the Company to take any action with respect to the shares specified in the Exercise Notice before the issuance thereof, then the date of their issuance shall be extended for the period necessary to take such action. Assuming such compliance, for income tax purposes the shares shall be considered transferred to Optionee on the date on which the Option is exercised with respect to such shares.
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- (d) The Option may be exercised only to purchase whole shares, and in no case may a fraction of a share be purchased. If any fractional shares would be deliverable upon exercise, such fraction shall be rounded up or down, to the nearest whole number. Half of a share will be rounded down.

4. **Method of Payment**

Payment of the aggregate Exercise Price shall be made, in the sole discretion of the Board or the Compensation Committee administering the Plan, by any of the following: (a) cash, (b) check, or (c) a combination thereof, at the election of the Optionee. The payment shall be made in U.S. Dollars.

5. **Restrictions on Exercise**

The Option may not be exercised until such time as the shareholders of the Company have approved the Plan, or if the issuance of shares upon such exercise or the method of payment of consideration for shares would constitute a violation of any applicable law or regulation.

6. **Non-Transferability of Options**

- (a) The Option may not be transferred in any manner otherwise than by will or by the laws of descent or distribution and may be exercised during the lifetime of Optionee only by Optionee. The terms of the Plan and this Option Agreement shall be binding upon the executors, heirs, successors and assigns of Optionee.
- (b) Shares sales are subject to the Company's Certificate of Incorporation, as amended, Bylaws as amended, U.S. federal and state securities laws and other applicable restrictions on transfer. Shares may not be sold or transferred directly or indirectly to a competitor of the Company. The Board or the Compensation Committee shall determine, in their sole discretion, whether a certain transfer of shares is not allowed according to this Section.

7. **Tax Consequences**

Any and all taxes, fees and other liabilities (as may apply from time to time) in connection with the grant and/or exercise and/or release of the Option and the sale and/or release of shares issueable upon the exercise of the Option and/or from any other event or act (whether of the Optionee or of the Company or its Subsidiaries), will be borne solely by the Optionee, and Optionee will be solely liable for all such taxes, fees and other liabilities.

The Company shall withhold taxes according to the requirements under all applicable laws, rules, and regulations, including withholding taxes at the source.

Furthermore, the Optionee hereby agrees to indemnify the Company and any subsidiary that employs the Optionee, and the Company's or such subsidiary's shareholders and directors and officers and hold them harmless against and from any and all liability for any such tax or interest or penalty thereon, including without limitation, liabilities relating to the requirement to withhold, or to have withheld, any such tax from any payment made to the Optionee. Except as otherwise required by law, the Company shall not be obligated to honor the exercise of any Option by or on behalf of an Optionee until all tax consequences (if any) arising from the exercise of such Option are resolved in a manner reasonably acceptable to the Company.

8. Governing Law; Severability

This Option Agreement shall be governed by, and interpreted in accordance with, the laws of the state of Delaware, without regard to conflict of law principles of any jurisdiction.

9. Entire Agreement

The Plan is incorporated herein by reference. The Plan and this Option Agreement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and Optionee with respect to the subject matter hereof, and may not be modified adversely to Optionee's interest except by means of a written instrument signed by the Company and the Optionee.

10. Confidentiality

The Optionee agrees and acknowledges that the terms and conditions of this Option Agreement, including without limitation the number of shares for which the Option has been granted, are confidential. The Optionee agrees that he will not disclose these terms and conditions to any third party, except to the Optionee's financial or legal advisors, tax advisors or family members, unless such disclosure is required by applicable law.

12. No Guarantee of Continued Service

OPTIONEE ACKNOWLEDGES AND AGREES THAT THE VESTING OF THE OPTION PURSUANT TO THE VESTING SCHEDULE HEREOF IS EARNED ONLY BY CONTINUING AS A SERVICE PROVIDER, BOARD MEMBER OR AS AN EMPLOYEE, AS THE CASE MAY BE, AT THE WILL OF THE COMPANY. OPTIONEE FURTHER ACKNOWLEDGES AND AGREES THAT THIS OPTION AGREEMENT, THE TRANSACTIONS CONTEMPLATED HEREUNDER AND THE VESTING SCHEDULE SET FORTH HEREIN DO NOT CONSTITUTE AN EXPRESS OR IMPLIED PROMISE OF CONTINUED ENGAGEMENT AND SHALL NOT INTERFERE IN ANY WAY WITH OPTIONEE'S RIGHT OR THE COMPANY'S RIGHT TO TERMINATE OPTIONEE'S EMPLOYMENT OR ENGAGEMENT, AS THE CASE MAY BE, AT ANY TIME, WITH OR WITHOUT CAUSE.

By affixing his signature hereunder, Optionee acknowledges receipt of a copy of the Plan and represents that he or she is familiar with the terms and provisions thereof, and hereby accepts this Option subject to all of the terms and provisions thereof. Optionee has reviewed the Plan and this Option Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Option Agreement and fully understands all provisions of the Option Agreement. Optionee hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Board upon any questions arising under the Plan or this Option Agreement. Optionee further agrees to notify the Company upon any change in the residence address indicated below.

OPTIONEE	MICRONET ENERTEC TECHNOLOGIES, INC.
_____ Signature	_____ By:
_____ Print Name	_____ Name:
_____ Residence Address	_____ Title:

Attachments:

- **Exhibit A: Micronet Enertec Technologies, Inc – 2012 Stock Incentive Plan**
 - **Exhibit B: Notice of Exercise.**
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EXHIBIT A

LAPIS TECHNOLOGIES, INC.

(now known as Micronet Enertec Technologies, Inc.)

2012 STOCK INCENTIVE PLAN

A PLAN UNDER SECTION 102 OF THE ISRAELI INCOME TAX ORDINANCE AND

THE UNITED STATES INTERNAL REVENUE CODE OF 1986

As amended through September 30, 2014

1. NAME AND PURPOSE OF THE PLAN

- 1.1 This plan, as amended from time to time, shall be known as the Lapis Technologies, Inc. 2012 Stock Incentive Plan (the "2012 Plan" or the "Plan").
 - 1.2 The Plan is intended as an incentive to retain in the employ of, and as directors, consultants and advisors to Lapis Technologies, Inc., a Delaware corporation (the "Company"), and its subsidiaries (including any "employing company" under Section 102(a) of the Ordinance (as hereinafter defined) and any "subsidiary" within the meaning of Section 424(f) of the United States Internal Revenue Code of 1986, as amended (the "Code"), collectively, the "Subsidiaries"), persons of training, experience and ability, to attract new employees, directors, consultants and advisors whose services are considered valuable, to encourage the sense of proprietorship and to stimulate the active interest of such persons in the development and financial success of the Company and its Subsidiaries, by granting to such persons options (the "Options") to purchase shares of the Company's common stock, \$0.001 par value per share (the "Stock", and the grant of Options to purchase shares of Stock, the "Award").
 - 1.3 Options granted under this Plan to Israeli residents shall be granted pursuant to the Israeli Income Tax Ordinance (New Version), 1961, as amended, including the Law Amending the Income Tax Ordinance (Number 132), 2002 (the "Ordinance") and any regulations, rules or orders or procedures promulgated thereunder (the "Rules").
 - 1.4 The Company intends that the Plan meet the requirements of Rule 16b-3 ("Rule 16b-3") promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and that transactions of the type specified in subparagraphs (c) to (f) inclusive of Rule 16b-3 by officers and directors of the Company pursuant to the Plan will be exempt from the operation of Section 16(b) of the Exchange Act. Further, the Plan is intended to satisfy the performance-based compensation exception to the limitation on the Company's tax deductions imposed by Section 162(m) of the Code with respect to those Options for which qualification for such exception is intended and to comply with Code Sections 409A and 422. In all cases, the terms, provisions, conditions and limitations of the Plan shall be construed and interpreted consistent with the Company's intent as stated in this Section 1.
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2. ADMINISTRATION OF THE PLAN.

- 2.1 The Board of Directors of the Company (the “Board”) may appoint and maintain as administrator of the Plan a Committee (the “Committee”) consisting of two or more directors who are, to the extent required under applicable law, “Non-Employee Directors” (as such term is defined in Rule 16b-3 of the Exchange Act) and “Outside Directors” (as such term is defined in Section 162(m) of the Code), which shall serve at the pleasure of the Board. If the Committee is appointed, the Committee, subject to Sections 4 and 8 hereof, shall have full power and authority to designate recipients of Options, to determine the terms and conditions of respective Option agreements (which need not be identical) (the “Option Agreements”), including the vesting schedule of the Options, which may be performance based (the “Vesting Schedule”) to interpret the provisions and supervise the administration of the Plan, to accelerate the right to exercise, in whole or in part, any previously granted Option, to grant new options in exchange for existing Options (subject to Section 15 and to the extent that such exchange does not cause the Options to be subject to Code Section 409A) to determine whether an Award has been earned (if performance requirements must be satisfied) and to make technical amendments to the Plan including amendments required under the Code. The Committee may also amend the terms of any Option theretofore granted, prospectively or retroactively, but no such amendment shall impair the rights of any Optionee without the Optionee’s consent.
- 2.2 Subject to the provisions of the Plan, the Committee shall interpret the Plan and all Options granted under the Plan, shall make such rules as it deems necessary for the proper administration of the Plan, shall make all other determinations necessary or advisable for the administration of the Plan and shall correct any defects or supply any omission or reconcile any inconsistency in the Plan or in any Options granted under the Plan in the manner and to the extent that the Committee deems desirable to carry into effect the Plan or any Options.
- 2.3 Subject to the Company’s certificate of incorporation, as amended, and bylaws, as amended, the act or determination of a majority of the members of the Committee shall be the act or determination of the Committee and any decision reduced to writing and signed by all of the members of the Committee shall be fully effective as if such decision had been made by the Committee at a meeting duly called and held. Subject to the provisions of the Plan, any action taken or determination made by the Committee pursuant to this and the other Sections of the Plan shall be conclusive on all parties.
- 2.4 The Committee may delegate to one or more executive officers of the Company the authority to grant an Award under the Plan to persons eligible to receive such Awards other than an officer or director of the Company or any other person whose transactions in the Company’s Stock are subject to Section 16 of the Exchange Act (an “Insider”).
- 2.5 In the event that for any reason the Committee is unable to act or if the Committee at the time of any grant, award or other acquisition under the Plan of Options or Stock as hereinafter defined does not consist of two or more Non-Employee Directors, or if there shall be no such Committee, then the Plan shall be administered by the Board, and references herein to the Committee (except in the proviso to this sentence) shall be deemed to be references to the Board, and any such grant, award or other acquisition may be approved or ratified in any other manner contemplated by subparagraph (d) of Rule 16b-3; provided, however, that options granted to the Company’s principal executive officer or to any of the Company’s other three most highly compensated officers (other than the principal executive officer and the principal financial officer) that are intended to qualify as performance-based compensation under Section 162(m) of the Code may only be granted by the Committee.
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3. SCOPE OF THE PLAN.

- 3.1 Subject to the terms of Section 3.3 hereof, the total number of shares of Stock reserved and available for grant and issuance pursuant to this Plan will be 750,000, all of which can be Incentive Options. In addition, if shares of Stock are subject to an Award that terminates without such shares of Stock being issued, then such shares of Stock will again be available for grant and issuance under this Plan. Should any Option expire or be canceled prior to its exercise in full or should the number of shares of Stock to be delivered upon the exercise in full of an Option be reduced for any reason, the shares of Stock theretofore subject to such Option may be subject to future Options under the Plan, except where such reissuance is inconsistent with the provisions of Section 162(m) of the Code.
- 3.2 The Company will, at all times, reserve and keep available the number of shares of Stock necessary to satisfy the requirements of all Awards then outstanding under this Plan. The shares of Stock subject to the Plan shall consist of unissued shares, treasury shares or previously issued shares held by any Subsidiary of the Company, and such amount of shares of Stock shall be and is hereby reserved for such purpose. Any of such shares of Stock that may remain unsold and that are not subject to outstanding Options at the termination of the Plan shall cease to be reserved for the purposes of the Plan, but until termination of the Plan the Company shall at all times reserve a sufficient number of shares of Stock to meet the requirements of the Plan.
- 3.3 In the event of any merger, reorganization, consolidation, recapitalization, stock dividend, or other change in corporate structure affecting the Stock, the Committee shall make an appropriate and equitable adjustment in the number and kind of shares reserved for issuance under the Plan and in the number and option price of shares subject to outstanding Options granted under the Plan, to the end that after such event each Optionee's proportionate interest shall be maintained as immediately before the occurrence of such event. The adjustments described above will be made only to the extent consistent with continued qualification of the Option under Section 422 of the Code (in the case of an Incentive Option) and Section 409A of the Code (in the case of grantees potentially subject to Section 409A of the Code).

4. ELIGIBILITY.

- 4.1 The persons eligible for participation in the Plan as recipients of Options (the "Optionees") shall include employees, officers and directors of, and, subject to their meeting the eligibility requirements to participate in an "employee benefit plan" as defined in Rule 405 promulgated under the Securities Act (as defined below), consultants and advisors to, the Company or any Subsidiary.
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4.2 In selecting Optionees, and in determining the number of shares to be covered by each Option granted to Optionees, the Committee may consider any factors it deems relevant, including without limitation, the office or position held by the Optionee or the Optionee's relationship to the Company, the Optionee's degree of responsibility for and contribution to the growth and success of the Company or any Subsidiary, the Optionee's length of service, promotions and potential. An Optionee who has been granted an Option hereunder may be granted an additional Option or Options, if the Committee shall so determine.

5. OPTIONS GRANTED UNDER THE ORDINANCE.

5.1 Options granted under Section 102 of the Ordinance ("102 Options") may be granted only to Israeli employees and Office Holders excluding any "Controlling Holders" as such term is defined in the Ordinance. Options granted under Section 3(i) of the Ordinance ("3(i) Options") may be granted only to consultants and to any Israeli employees or Office Holders who are Controlling Holders.

5.2 102 Options shall be either (a) capital gains track options under Section 102(b)(2), in which income resulting from the sale of Stock underlying the Options is taxed as capital gain ("Capital Gains Options"), (b) ordinary income track options under Section 102(b)(1), in which income resulting from the sale of Stock underlying the Options is taxed as ordinary income ("Ordinary Income Options" and, together with the Capital Gains Options, the "Approved 102 Options") or (c) options granted pursuant to Section 102(c) ("Unapproved 102 Options").

5.3 The Company's election of the type of Approved 102 Options as Capital Gains Options or Ordinary Income Options granted to Optionees (the "Election"), shall be appropriately filed with the Israeli Tax Authorities (the "ITA") before the date of grant of an Approved 102 Option. Such Election shall become effective beginning the first grant of an Approved 102 Option under this Plan and shall remain in effect until the end of the year following the year during which the Company first granted Approved 102 Options. The Election shall obligate the Company to grant only the type of Approved 102 Option it has elected, and shall apply to all Optionees who were granted Approved 102 Options during the period indicated herein, all in accordance with the provisions of Section 102(g) of the Ordinance. For the avoidance of doubt, such Election shall not prevent the Company from granting Unapproved 102 Options during such period.

5.4 Without derogating from anything to the contrary contained herein, solely for the purpose of determining the tax liability pursuant to Section 102(b)(3) of the Ordinance, if at the date of grant of Approved 102 Options the Company's shares are listed on any established stock exchange or a national market system or if the Company's shares will be registered for trading within ninety (90) days following such date of grant, the value of a share of Stock at such date of grant shall be determined in accordance with the average value of the Company's shares of Stock on the thirty (30) trading days immediately preceding the date of grant or on the thirty (30) trading days immediately following the date of registration for trading, as the case may be.

- 5.5 With respect to Unapproved 102 Option, if the Optionee ceases to be employed by the Company or any Subsidiary, the Optionee shall extend to the Company and/or its Subsidiary a security or guarantee for the payment of tax due at the time of sale of shares of Stock, all in accordance with the provisions of Section 102 and the Rules.
- 5.6 Trustee. All Approved 102 Options must be held by a person appointed by the Company to serve as a trustee and approved by the ITA in accordance with the provisions of Section 102(a) of the Ordinance (the "Trustee") in accordance with the following:
- 5.6.1 Approved 102 Options which shall be granted under the Plan and/or any shares of Stock allocated or issued upon exercise of such Approved 102 Options and/or other shares of Stock received subsequently following any realization of rights, including without limitation, bonus shares, shall be allocated or issued to the Trustee and held for the benefit of the Optionees for such period of time as required by Section 102 or the Rules (the "Holding Period"). In the case the requirements for Approved 102 Options are not met, the Approved 102 Options may be treated as Unapproved 102 Options, all in accordance with the provisions of Section 102 and the Rules.
- 5.6.2 Notwithstanding anything to the contrary, the Trustee shall not release any shares of Stock allocated or issued upon exercise of Approved 102 Options prior to the full payment of the Optionee's tax liabilities arising from Approved 102 Options which were granted to him and/or any shares of Stock allocated or issued upon exercise of such Options.
- 5.6.3 With respect to any Approved 102 Option, subject to the provisions of Section 102 and the Rules, an Optionee shall not sell or release from trust any shares of Stock received upon the exercise of an Approved 102 Option and/or any shares of Stock received subsequently following any realization of rights, including without limitation, bonus shares, until the lapse of the Holding Period required under Section 102 of the Ordinance. Notwithstanding the above, if any such sale or release occurs during the Holding Period, the sanctions under Section 102 of the Ordinance and under the Rules shall apply to, and shall be borne by, such Optionee.
- 5.6.4 Upon receipt of an Approved 102 Option, the Optionee will sign an undertaking to release the Trustee from any liability in respect of any action or decision duly taken and executed in good faith in relation with the Plan or any Approved 102 Option or shares of Stock granted to him thereunder.
- 5.7 The grant of Approved 102 Options shall be conditioned upon the approval of this Plan by the Israeli Tax Authorities. In addition, the provisions of the Plan and/or the Option Agreement shall be subject to the provisions of the Ordinance and the Tax Assessing Officer's permit, and the said provisions and permit shall be deemed an integral part of the Plan and of the Option Agreement. Any provision of the Ordinance and/or the said permit which is necessary in order to receive and/or to keep any tax benefit pursuant to the Ordinance, which is not expressly specified in the Plan or the Option Agreement, shall be considered binding upon the Company and the Optionees.
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5.8 The Committee shall have the authority, without limitation, to determine which method, the capital gain method or the work income method or any other method available under Section 102 of the Ordinance, shall be adopted for the purposes of the Plan and to appoint a Trustee, if the Committee deems it advisable or necessary.

6. OPTIONS GRANTED UNDER THE CODE.

6.1 Options granted to employees of the Company or of one of its Subsidiaries (under Code Section 424(f)), who are not residents of the State of Israel, shall either constitute incentive stock options within the meaning of Section 422 of the Code ("Incentive Options"), while certain other Options granted pursuant to the Plan shall be nonqualified stock options ("Nonqualified Options").

6.2 Subject to meeting all applicable requirements, the Committee shall have the authority, without limitation, to designate which Options granted under the Plan shall be Incentive Options and which shall be Nonqualified Options.

6.3 The maximum number of shares of Stock that may be subject to Incentive Options or Nonqualified Options granted under the Plan to any individual in any calendar year shall not exceed 100,000 shares (subject to adjustment pursuant to Section 3.3 hereof), and the method of counting such shares shall conform to any requirements applicable to performance-based compensation under Section 162(m) of the Code; provided, however, that new employees of the Company or of any Subsidiary (including new employees who are also officers and directors of the Company or any Subsidiary), will be eligible to receive Options to purchase up to a maximum of 200,000 of the Company's Stock in the calendar year in which they commence their employment.

6.4 The aggregate Fair Market Value (as hereinafter defined), determined as of the date the Incentive Option is granted, of Stock for which Incentive Options are exercisable for the first time by any Optionee during any calendar year under the Plan (and/or any other stock option plans of the Company or any Subsidiary) shall not exceed \$100,000.

6.5 Optionees shall be required as a condition of the exercise to furnish to the Company any income or payroll (employment) tax required to be withheld. In the case of an Incentive Option, if the Optionee makes a disposition, within the meaning of Section 424(c) of the Code and regulations promulgated thereunder, of any share or shares of Stock issued to him upon exercise of an Incentive Option granted under the Plan within the two-year period commencing on the day after the date of the grant of such Incentive Option or within a one-year period commencing on the day after the date of transfer of the share or shares to him pursuant to the exercise of such Incentive Option, he shall, within 10 days after such disposition, notify the Company thereof.

7. OTHER AWARDS. All other types of Awards not referenced in Sections 5 and 6 may be granted to any employee, officer, director or consultant of the Company or any Parent or Subsidiary; provided that with respect to any consultant, however, that such consultant is a natural person and the Award is in full or partial compensation for bona fide services unconnected with any offer and sale of securities in a capital-raising transaction.

8. TERMS AND CONDITIONS OF OPTIONS. Options granted under the Plan shall be subject to the following conditions and shall contain such additional terms and conditions, not inconsistent with the terms of the Plan, as the Committee shall deem desirable:

8.1 OPTION PRICE. The exercise price of each share of Stock purchasable under the Options shall be determined by the Committee at the time of grant, subject to the conditions set forth in the immediately following sentence. The exercise price of each share of Stock purchasable under an Incentive Option shall not be less than 100% of the Fair Market Value (as hereinafter defined) of such share of Stock on the trading day immediately preceding the date the Incentive Option is granted; provided, however, that with respect to an Optionee who, at the time such Incentive Option is granted, owns (within the meaning of Section 424(d) of the Code) more than 10% of the total combined voting power of all classes of stock of the Company or of any Subsidiary, the exercise price per share of Stock shall be at least 110% of the Fair Market Value per share of Stock on the trading day immediately preceding the date of grant. The exercise price of each share of Stock purchasable under any Option other than an Incentive Stock Option shall not be less than 100% of the Fair Market Value of such share of Stock on the trading day immediately preceding the date the Option is granted; provided, however, and notwithstanding any future amendment to the minimum exercise price of a Nonqualified Option, that if an option granted to the Company's principal executive officer or to any of the Company's other three most highly compensated officers (other than the principal executive officer and the principal financial officer) is intended to qualify as performance-based compensation under Section 162(m) of the Code, the exercise price of such Option shall not be less than 100% of the Fair Market Value of such share of Stock on the trading day immediately preceding the date the Option is granted. The exercise price for each Option shall be subject to adjustment as provided in Section 3.3 herein. Notwithstanding anything to the contrary contained herein, in no event shall the exercise price of a share of Stock be less than the minimum price permitted under the rules and policies of any national securities exchange on which the shares of Stock are listed.

"Fair Market Value" means the closing price of publicly traded shares of Stock on the principal securities exchange, including the Nasdaq Stock Market, on which shares of Stock are listed (if the shares of Stock are so listed), or, if not so listed, the mean between the closing bid and asked prices of publicly traded shares of Stock in the over-the-counter market, or, if such bid and asked prices shall not be available, as reported by any nationally recognized quotation service selected by the Company, or as determined by the Committee in a manner consistent with the provisions of the Code.

8.2 OPTION TERM. The term of each Option shall be fixed by the Committee, but no Option shall be exercisable more than ten years after the date such Option is granted and in the case of an Incentive Option granted to an Optionee who, at the time such Incentive Option is granted, owns (within the meaning of Section 424(d) of the Code) more than 10% of the total combined voting power of all classes of stock of the Company or of any Subsidiary, no such Incentive Option shall be exercisable more than five years after the date such Incentive Option is granted.

- 8.3 EXERCISABILITY. Subject to Section 6.4 hereof, Options shall be exercisable at such time or times and subject to such terms and conditions as shall be determined by the Committee at the time of grant.
- 8.4 METHOD OF EXERCISE. Options to the extent then exercisable may be exercised in whole or in part at any time during the option period, by giving written notice to the Company specifying the number of shares of Stock to be purchased, accompanied by payment in full of the exercise price, in cash, or by check or such other instrument as may be acceptable to the Committee. As determined by the Committee, in its sole discretion, at or after grant, payment in full or in part may be made at the election of the Optionee (i) in the form of Stock owned by the Optionee (based on the Fair Market Value of the Stock on the trading day before the Option is exercised) which is not the subject of any pledge or security interest, (ii) in the form of shares of Stock withheld by the Company from the shares of Stock otherwise to be received with such withheld shares of Stock having a Fair Market Value on the date of exercise equal to the exercise price of the Option, or (iii) by a combination of the foregoing, provided that the combined value of all cash and cash equivalents and the Fair Market Value of any shares surrendered to the Company is at least equal to such exercise price and except with respect to (ii) above, such method of payment will not cause a disqualifying disposition of all or a portion of the Stock received upon exercise of an Incentive Option. An Optionee shall have the right to dividends and other rights of a stockholder with respect to shares of Stock purchased upon exercise of an Option at such time as the Optionee has (i) given written notice of exercise and has paid in full for such shares and (ii) has satisfied such conditions that may be imposed by the Company with respect to the withholding of taxes.
- 8.5 NON-TRANSFERABILITY OF OPTIONS AND SHARES OF STOCK UNDERLYING OPTIONS.
- 8.5.1 Except as provided in Section 8.5.3 hereof, during the lifetime of an Optionee, only the Optionee (or, in the event of legal incapacity or incompetence, the Optionee's guardian or legal representative) may exercise an Option. Except as provided in Section 8.5.3 hereof, no Option shall be assignable or transferable by the Optionee to whom it is granted, other than by will or the laws of descent and distribution except pursuant to a domestic relations order.
- 8.5.2 With respect to Approved 102 Options, as long as Options and/or shares of Stock are held by the Trustee on behalf of the Optionee, all rights of the Optionee over the Options and the shares of Stock are personal, and cannot be transferred, assigned, pledged or mortgaged, other than by will or pursuant to the laws of descent and distribution.
- 8.5.3 An Optionee may transfer by gift all or part of an Option that is not an Incentive Option to any "family member" (as that term is defined under Rule 701(c)(3) of the Securities Act, as amended or any successor provision of law); provided, that (x) there shall be no consideration for any such transfer and (y) subsequent transfers of transferred Options shall be prohibited except those made in accordance with this Section 8.5.3 or by will or the laws of descent and distribution or pursuant to a domestic relations order and otherwise in compliance with applicable U.S. federal and state and foreign securities laws. Following any permitted transfer hereunder, any transferred Option shall continue to be subject to the same terms and conditions as were applicable immediately prior to such transfer, provided that for purposes of this Section 8.5.3 the term "Optionee" shall be deemed to refer to the transferee and the transferee shall agree to be bound by the terms and conditions of the Options and this Plan. The events of termination of the employment or other relationship of Section 8.9 hereof shall continue to be applied with respect to the original Optionee, following which the Option shall be exercisable by the transferee only to the extent and for the periods specified in Section 8.6, 8.7, 8.8, or 8.9 hereof.
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- 8.6 TERMINATION BY REASON OF DEATH. Unless otherwise determined by the Committee at grant, if any Optionee's employment with or service to the Company or any Subsidiary terminates by reason of death, the Options granted to such Employee may thereafter be exercised, to the extent then exercisable (or on such accelerated basis as the Committee shall determine at or after grant), by the legal representative of the estate or by the legatee of the Optionee under the will of the Optionee, for a period of one year after the date of such death or until the expiration of the stated term of such Option as provided under the Plan, whichever period is shorter.
- 8.7 TERMINATION BY REASON OF DISABILITY. Unless otherwise determined by the Committee at grant, if any Optionee's employment with or service to the Company or any Subsidiary terminates by reason of permanent and total disability within the meaning of Code Section 22(e)(3) ("Disability"), any Option held by such Optionee may thereafter be exercised, to the extent it was exercisable at the time of termination due to Disability (or on such accelerated basis as the Committee shall determine at or after grant), but may not be exercised after 30 days after the date of such termination of employment or service or the expiration of the stated term of such Option, whichever period is shorter; provided, however, that, if the Optionee dies within such 30-day period, any unexercised Option held by such Optionee shall thereafter be exercisable to the extent to which it was exercisable at the time of death for a period of one year after the date of such death or for the stated term of such Option, whichever period is shorter.
- 8.8 TERMINATION BY REASON OF RETIREMENT. Unless otherwise determined by the Committee at grant, if any Optionee's employment with or service to the Company or any Subsidiary terminates by reason of Normal or Early Retirement (as such terms are defined below), any Option held by such Optionee may thereafter be exercised to the extent it was exercisable at the time of such Retirement (or on such accelerated basis as the Committee shall determine at or after grant), but may not be exercised after 90 days after the date of such termination of employment or service or the expiration of the stated term of such Option, whichever period is shorter; provided, however, that, if the Optionee dies within such 90-day period, any unexercised Option held by such Optionee shall thereafter be exercisable, to the extent to which it was exercisable at the time of death, for a period of one year after the date of such death or for the stated term of such Option, whichever period is shorter.
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For purposes of this paragraph, "Normal Retirement" shall mean retirement from active employment with the Company or any Subsidiary on or after the normal retirement date specified in the applicable Company or Subsidiary pension plan or if no such pension plan exists, age 65, and "Early Retirement" shall mean retirement from active employment with the Company or any Subsidiary pursuant to the early retirement provisions of the applicable Company or Subsidiary pension plan or if no such pension plan exists, age 55.

- 8.9 OTHER TERMINATION. Unless otherwise determined by the Committee at grant, if any Optionee's employment with or service to the Company or any Subsidiary terminates for any reason other than death, Disability or Normal or Early Retirement, the Option shall thereupon terminate, except that the portion of any Option that was exercisable on the date of such termination of employment or service may be exercised for the lesser of 90 days after the date of termination or the balance of such Option's term if the Optionee's employment or service with the Company or any Subsidiary is terminated by the Company or such Subsidiary without cause (the determination as to whether termination was for cause to be made by the Committee). The transfer of an Optionee from the employ of or service to the Company to the employ of or service to a Subsidiary, or vice versa, or from one Subsidiary to another, shall not be deemed to constitute a termination of employment or service for purposes of the Plan. The sale or other disposition of a Subsidiary will be considered a termination of employment even if the Optionee continues to be employed by the Subsidiary.
- 8.10 OPTION AGREEMENT. Each Option granted pursuant to the Plan, shall be evidenced by a written Option Agreement between the Company and the Optionee, in such form as the Committee shall from time to time approve. Each Option Agreement shall state, among other matters, the number of shares of Stock to which the Option relates, the type of Option granted thereunder (whether a Capital Gains Option, Ordinary Income Option, Unapproved 102 Option, 3(i) Option, Incentive Option or Nonqualified Option), the Vesting Dates, the exercise price per share, the expiration date and such other terms and conditions as the Committee in its discretion may prescribe, provided that they are consistent with this Plan.

9. CHANGE IN CONTROL.

- 9.1 Upon the occurrence of a "Change in Control" (as hereinafter defined), the Committee may accelerate the vesting and exercisability of outstanding Options, in whole or in part, as determined by the Committee in its sole discretion. In its sole discretion, the Committee may also determine that, upon the occurrence of a Change in Control, each Outstanding Option shall terminate within a specified number of days after notice to the Optionee thereunder, and each such Optionee shall receive, with respect to each share of Company Stock subject to such Option, an amount equal to the excess of the Fair Market Value of such shares upon to such Change in Control over the exercise price per share of such Option; such amount shall be payable in cash, in one or more kinds of property (including the property, if any, payable in the transaction) or a combination thereof, as the Committee shall determine in its sole discretion.
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- 9.2 For purposes of the Plan, a Change in Control shall be deemed to have occurred if:
- 9.2.1 a tender offer (or series of related offers) shall be made and consummated for the ownership of 50% or more of the outstanding voting securities of the Company, unless as a result of such tender offer more than 50% of the outstanding voting securities of the surviving or resulting corporation shall be owned in the aggregate by the shareholders of the Company (as of the time immediately prior to the commencement of such offer), any employee benefit plan of the Company or its Subsidiaries, and their affiliates;
 - 9.2.2 the Company shall be merged or consolidated with another corporation, unless as a result of such merger or consolidation more than 50% of the outstanding voting securities of the surviving or resulting corporation shall be owned in the aggregate by the shareholders of the Company (as of the time immediately prior to such transaction), any employee benefit plan of the Company or its Subsidiaries, and their affiliates;
 - 9.2.3 the Company shall sell substantially all of its assets to another corporation that is not wholly owned by the Company, unless as a result of such sale more than 50% of such assets shall be owned in the aggregate by the shareholders of the Company (as of the time immediately prior to such transaction), any employee benefit plan of the Company or its Subsidiaries and their affiliates; or
 - 9.2.4 a Person (as defined below) shall acquire 50% or more of the outstanding voting securities of the Company (whether directly, indirectly, beneficially or of record), unless as a result of such acquisition more than 50% of the outstanding voting securities of the surviving or resulting corporation shall be owned in the aggregate by the shareholders of the Company (as of the time immediately prior to the first acquisition of such securities by such Person), any employee benefit plan of the Company or its Subsidiaries, and their affiliates.
- 9.3 For purposes of this Section 9, ownership of voting securities shall take into account and shall include ownership as determined by applying the provisions of Rule 13d-3(d)(1)(i) (as in effect on the date hereof) under the Exchange Act. In addition, for such purposes, "Person" shall have the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d) thereof; however, a Person shall not include (A) the Company or any of its Subsidiaries; (B) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its Subsidiaries; (C) an underwriter temporarily holding securities pursuant to an offering of such securities; or (D) a corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportion as their ownership of stock of the Company.
- 9.4 The Committee may determine, at its sole discretion, that the terms of Options granted pursuant to the Plan shall provide for additional benefits to be granted to the Optionee in the event of a Change in Control. Any such additional benefits will not be subject to any tax benefits granted to Optionees in connection with the Award and will be taxed pursuant to the provisions of the Ordinance and the Code, as applicable.
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10. EFFECTIVE DATE OF PLAN; TERM OF PLAN. The Plan shall be effective on November 26, 2012; provided, however, that the Plan shall subsequently be approved by majority vote of the Company's stockholders generally entitled to vote at a meeting of stockholders not later than November 25, 2013. No Option shall be granted pursuant to the Plan on or after November 26, 2022, but Options theretofore granted may extend beyond that date.
 11. PURCHASE FOR INVESTMENT. Unless the Options and shares covered by the Plan have been registered under the Securities Act of 1933, as amended (the "Securities Act"), or the Company has determined that such registration is unnecessary, each person exercising an Option under the Plan may be required by the Company to give a representation in writing that he is acquiring the shares for his own account for investment and not with a view to, or for sale in connection with, the distribution of any part thereof.
 12. TAXES.
 - 12.1 Any tax consequences arising from the grant or exercise of any Option, from the payment for Stock covered thereby or from any other event or act (of the Company and/or its Subsidiaries, the Trustee or the Optionee), hereunder, shall be borne solely by the Optionee. The Company and/or its Subsidiaries and/or the Trustee shall withhold taxes according to the requirements under the applicable laws, rules, and regulations, including withholding taxes at source. Furthermore, the Optionee shall agree to indemnify the Company and/or its Subsidiaries and/or the Trustee and hold them harmless against and from any and all liability for any such tax or interest or penalty thereon, including without limitation, liabilities relating to the necessity to withhold, or to have withheld, any such tax from any payment made to the Optionee.
 - 12.2 The Company and/or, when applicable, the Trustee shall not be required to release any Stock certificate to an Optionee until all required payments have been fully made.
 - 12.3 To the extent provided by the terms of an Option Agreement, the Optionee may satisfy any tax withholding obligation relating to the exercise or acquisition of tocks under an Option by any of the following means (in addition to the Company's right to withhold from any compensation paid to the Optionee by the Company) or by a combination of such means: (i) tendering a cash payment; (ii) subject to the Committee's approval on the payment date, authorizing the Company to withhold Shares from the Shares otherwise issuable to the Optionee as a result of the exercise or acquisition of Shares under the Option in an amount not to exceed the minimum amount of tax required to be withheld by law; or (iii) subject to Committee approval on the payment date, delivering to the Company owned and unencumbered Shares; provided that Shares acquired on exercise of Options have been held for at least 6 months from the date of exercise.
 - 12.4 The Company may make such provisions as it may deem appropriate, consistent with applicable law, in connection with any Options granted under the Plan with respect to the withholding of any taxes (including capital gains, income or employment taxes) or any other tax matters.
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13. PUBLIC OFFERING. As a condition of Participation in this Plan, each Optionee shall be obligated to cooperate with the Company and the underwriters in connection with any public offering of the Company's securities and any transactions relating to a public offering, and shall execute and deliver any agreements and documents, including without limitation, a lock-up agreement, that may be requested by the Company or the underwriters. The Optionees' obligations under this Section 13 shall apply to any Stock issued under the Plan as well as to any and all other securities of the Company or its successor for which Stock may be exchanged or into which Stock may be converted.

14. AMENDMENT AND TERMINATION.

14.1 The Board may amend, suspend, or terminate the Plan, except that no amendment shall be made that would impair the rights of any Optionee under any Option theretofore granted without the Optionee's consent, and except that no amendment shall be made which, without the approval of the stockholders of the Company would:

14.1.1 materially increase the number of shares that may be issued under the Plan, except as is provided in Section 3.3;

14.1.2 materially increase the benefits accruing to the Optionees under the Plan;

14.1.3 materially modify the requirements as to eligibility for participation in the Plan;

14.1.4 decrease the exercise price of an Incentive Option to less than 100% of the Fair Market Value per share of Stock on the date of grant thereof or the exercise price of a Nonqualified Option to less than 100% of the Fair Market Value per share of Stock on the date of grant thereof; or

14.1.5 extend the term of any Option beyond that provided for in Section 8.2.

14.2 The Committee may subject to Section 15 substitute new Options for previously granted Options, including options granted under other plans applicable to the participant and previously granted Options having higher option prices, upon such terms as the Committee may deem appropriate.

The Committee may also terminate the Plan.

14.3 It is the intention of the Board that the Plan comply strictly with the provisions of Section 409A of the Code, the Treasury Regulations and other Internal Revenue Service guidance promulgated thereunder (the "Section 409A Rules") and the Committee shall exercise its discretion in granting Awards hereunder (and the terms of such Awards), accordingly. The Plan and any grant of an Award hereunder may be amended from time to time (without, in the case of an Award, the consent of the Participant) as may be necessary or appropriate to comply with the Section 409A Rules.

15. RE-PRICING OF OPTIONS; REPLACEMENT OPTIONS. The Company shall not re-price any Options or issue any replacement Options unless the Option re-pricing or Option replacement shall have been approved by the holders of a majority of the outstanding shares of the voting stock of the Company generally entitled to vote at a meeting of stockholders.

16. GOVERNMENT REGULATIONS.

- 16.1 The Plan, and the grant and exercise of Options hereunder, and the obligation of the Company to sell and deliver shares under such Options, shall be subject to all applicable laws, rules and regulations, and to such approvals by any governmental agencies, national securities exchanges and interdealer quotation systems as may be required.

17. GENERAL PROVISIONS.

- 17.1 CERTIFICATES. All certificates for shares of Stock delivered under the Plan shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations and other requirements of the Securities and Exchange Commission, or other securities commission having jurisdiction, any applicable Federal or state securities law, any stock exchange or interdealer quotation system upon which the Stock is then listed or traded and the Committee may cause a legend or legends to be placed on any such certificates to make appropriate reference to such restrictions.
- 17.2 EMPLOYMENT MATTERS. The adoption of the Plan shall not confer upon any Optionee of the Company or any Subsidiary any right to continued employment or, in the case of an Optionee who is a director, continued service as a director, with the Company or a Subsidiary, as the case may be, nor shall it interfere in any way with the right of the Company or any Subsidiary to terminate the employment of any of its employees, the service of any of its directors or the retention of any of its consultants or advisors at any time.
- 17.3 LIMITATION OF LIABILITY. No member of the Board or the Committee, or any officer or employee of the Company acting on behalf of the Board or the Committee, shall be personally liable for any action, determination or interpretation taken or made in good faith with respect to the Plan, and all members of the Board or the Committee and each and any officer or employee of the Company acting on their behalf shall, to the extent permitted by law, be fully indemnified and protected by the Company in respect of any such action, determination or interpretation. Such indemnification shall be in addition to any rights of indemnification such person may have as a director or otherwise under the Company's incorporation documents, any agreement, any vote of shareholders or disinterested directors, insurance policy or otherwise.
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17.4 REGISTRATION OF STOCK. Notwithstanding any other provision in the Plan, no Option may be exercised unless and until the Stock to be issued upon the exercise thereof has been registered under the Securities Act and applicable state securities laws, or are, in the opinion of counsel to the Company, exempt from such registration in the United States. The Company shall not be under any obligation to register under applicable federal or state securities laws any Stock to be issued upon the exercise of an Option granted hereunder in order to permit the exercise of an Option and the issuance and sale of the Stock subject to such Option, although the Company may in its sole discretion register such Stock at such time as the Company shall determine. If the Company chooses to comply with such an exemption from registration, the Stock issued under the Plan may, at the direction of the Committee, bear an appropriate restrictive legend restricting the transfer or pledge of the Stock represented thereby, and the Committee may also give appropriate stop transfer instructions with respect to such Stock to the Company's transfer agent.

18. GOVERNING LAW; JURISDICTION. The Plan shall be governed by and construed and enforced in accordance with the laws of the State of Israel applicable to contracts made and to be performed therein, without giving effect to the principles of conflict of laws, subject to the terms of Section 1.4 hereof. The competent courts of Tel-Aviv, Israel shall have sole jurisdiction in any matters pertaining to the Plan.

EXHIBIT B
NOTICE OF EXERCISE

Micronet Enertec Technologies, Inc.
Tali Dinar
Chief Financial Officer & Secretary
27 Hametzuda St.
Azur, 58001
Israel

1. Exercise of Option. Effective as of today, I, _____, the undersigned ("Optionee") hereby elects to exercise Optionee's option to purchase _____ shares of Common Stock of the Company under and pursuant to the 2012 Stock Incentive Plan (the "Plan") and the Option Agreement dated _____ (the "Agreement").
2. Delivery of Payment. Purchaser herewith delivers to the Company the full Exercise Price of the Options, as set forth in the Option Agreement.
3. Rights as Shareholder. Until the issuance of the shares (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to receive dividends or any other rights as a shareholder shall exist with respect to the Optioned Shares, notwithstanding the exercise of the Option. The shares shall be issued to Optionee as soon as practicable after the Option is exercised. No adjustment shall be made for a dividend or other right for which the record date is prior to the date of issuance except as provided in the Plan.
4. Tax Consultation. Optionee understands that he/she may suffer adverse tax consequences as a result of Optionee's purchase or disposition of the shares. Optionee represents that he/she has consulted with any tax consultants Optionee deems advisable in connection with the purchase or disposition of the shares and that Optionee is not relying on the Company or any of its subsidiaries for any tax advice.
5. Additional Representations. The Optionee hereby acknowledges that nothing herein shall obligate the Company to register its shares or any portion of its shares on any stock exchange.
6. Successors and Assigns. The Company may assign any of its rights under this Agreement to single or multiple assignees, and this Agreement shall inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer herein set forth, this Agreement shall be binding upon Optionee and his or her heirs, executors, successors and assigns.

Submitted by:
OPTIONEE

Accepted by:
Micronet Enertec Technologies, Inc.

Signature

By:

Print Name

Name:

Address:

Title:

Date Received: _____

**CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER PURSUANT
TO
RULE 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE
ACT OF 1934, AS AMENDED**

I, David Lucatz, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Micronet Enertec Technologies, Inc. for the quarter ended September 30, 2014;
 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(s) 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(s) 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.

November 6, 2014

/s/ David Lucatz

David Lucatz

Chief Executive Officer (Principal Executive Officer)

**CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER PURSUANT
TO
RULE 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE
ACT OF 1934, AS AMENDED**

I, Tali Dinar, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Micronet Enertec Technologies, Inc. for the quarter ended September 30, 2014;
 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(s) 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(s) 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.

November 6, 2014

/s/ Tali Dinar

Tali Dinar

Chief Financial Officer (Principal Financial Officer)

**CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER PURSUANT TO
18 U.S.C. SECTION 1350**

In connection with the quarterly report of Micronet Enertec Technologies, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David Lucatz, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 6, 2014

/s/ David Lucatz
David Lucatz
Chief Executive Officer (Principal Executive Officer)

**CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER PURSUANT TO
18 U.S.C. SECTION 1350**

In connection with the quarterly report of Micronet Enertec Technologies, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Tali Dinar, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 6, 2014

/s/ Tali Dinar
Tali Dinar
Chief Financial Officer (Principal Financial Officer)
