

The logo for Cai Amp, featuring the company name in a bold, sans-serif font. A blue swoosh underline is positioned above the 'i' in 'Amp' and extends to the right.

Cai Amp

2009 Annual Report

Enabling
Anytime
Anywhere
Access



CalAmp provides wireless communications solutions that enable anytime/anywhere access to mission-critical data and content. The Company serves customers in the public safety, industrial monitoring and controls, mobile resource management, and direct broadcast satellite markets. The Company's products are marketed under the CalAmp, Dataradio, Smartlink, Aercept, LandCell and Omega trade names.

CalAmp is headquartered in Oxnard, California and has been publicly traded since 1983 under the NASDAQ symbol CAMP. For more information about the Company, please visit our website at www.calamp.com.



Dear Fellow Stockholders:

In Fiscal 2009 we focused on solidifying the foundation to return CalAmp to profitability and growth. Despite a worldwide economic downturn, we were able to improve our balance sheet and cash flow from operations, rebuild our satellite products business and strengthen the competitive position of our wireless datacom business. We are pleased with our efforts in each of these areas and believe CalAmp is poised to thrive as the global economy improves.

We made significant progress in Fiscal 2009 to re-establish our position as a leading supplier of Direct Broadcast Satellite (DBS) outdoor reception equipment to the North American market. We began ramping up production and shipments by mid-year and saw satellite product revenues increase sequentially in both of the last two quarters of Fiscal 2009. Our engineering team is making good progress on several next-generation product development programs for our two principal DBS customers. Overall, we expect market share of our satellite products to be materially higher in Fiscal 2010 as we continue to ramp production and launch new products.

In addition to the turnaround efforts for our satellite business, we also took significant steps in Fiscal 2009 to enhance the competitive position of our wireless datacom business, where we serve a broad spectrum of end customers in the public safety, utility, industrial and mobile resource management markets. As a result of dedicated research and development activities during Fiscal 2009, our wireless datacom product portfolio has been substantially refreshed and extended. With our enhanced product offerings, we are beginning to develop new applications and penetrate adjacent vertical markets that we believe provide excellent growth opportunities in Fiscal 2010 and beyond. Importantly, we are tapping into new distribution channels, expanding internationally and working closely with strategic launch partners to quickly bring these new products to market. For example, in the utility sector, our new WiMetry™ and Sentry™ product lines are appealing to domestic and international utilities looking to implement smart grid energy management solutions. We have recently announced significant deployments of our products and expect this area to be a key growth driver going forward. Drawing on the strength of our new mobile resource management products, we recently announced partnerships to market a tracking system for stolen vehicle recovery as well as a vehicle-based wireless Internet gateway. Applications in the transportation sector offer exciting business opportunities and we expect them to contribute to profitable growth in the years ahead.

During Fiscal 2009, the sluggish global economy led key customers in nearly every industry we serve to significantly scale back demand for our products and services, and as a result our overall revenues were 30% lower compared to the prior year. In light of the market weakness, we took actions to reduce our costs and expenses and realign the structure of our wireless datacom operations. As part of this restructuring, we have consolidated facilities and have reduced our work force by 14%. In the aggregate, we expect to realize annualized savings of approximately \$6 million beginning in Fiscal 2010. We are confident that these changes will improve our operating efficiencies and profitability, while maintaining the ability to achieve our longer term growth objectives as market conditions improve.

We started Fiscal 2009 with a significant debt overhang and negative operating cash flow. Our focus on operational execution as well as inventory and working capital management resulted in \$13.8 million of positive operating cash flow for the year, significantly improving our liquidity position and capital structure. Total debt was reduced by \$11.5 million and stood at \$21.1 million at the end of Fiscal 2009, comprised of a \$3.5 million subordinated promissory note to a key DBS customer and a \$17.6 million bank term loan. By the end of calendar 2009, we expect to retire the subordinated note and to refinance the bank term loan from the proceeds of an asset-based loan, possibly supplemented by proceeds from another funding source.

While we significantly improved our financial strength and competitive position during this past year, much work lies ahead to execute our recovery plan and return CalAmp to profitability. During Fiscal 2010, we will continue to focus on maximizing operating cash flow and reducing debt, work to regain market share with our satellite products, and capitalize on an array of opportunities within our wireless datacom business. We believe we have created the foundation for CalAmp to excel in the years ahead, with innovative product offerings addressing attractive long-term markets.

In closing, I would like to thank our world class employees for persevering through a challenging year, and working hard to position CalAmp for profitable growth. I share their enthusiasm about the opportunities in front of us and remain committed to our mutual goal of maximizing shareholder value.

Sincerely,

A handwritten signature in black ink, appearing to read 'R B Gold', with a stylized, cursive script.

Richard B. Gold
President and Chief Executive Officer

June 24, 2009

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-K

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

FOR THE FISCAL YEAR ENDED FEBRUARY 28, 2009

COMMISSION FILE NUMBER: 0-12182

CALAMP CORP.

(Exact name of Registrant as specified in its Charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

95-3647070

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

**1401 N. Rice Avenue
Oxnard, California**

(Address of principal executive offices)

93030

(Zip Code)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (805) 987-9000

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

TITLE OF EACH CLASS

None

NAME OF EACH EXCHANGE

None

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

\$.01 par value Common Stock

(Title of Class)

Nasdaq Global Select Market

(Name of each exchange on which registered)

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

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

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

Indicate by check mark whether the registrant has submitted electronically 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K .

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller Reporting Company

(Do not check if a smaller reporting company)

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

The aggregate market value of voting and non-voting common stock held by non-affiliates of the registrant as of August 30, 2008 was approximately \$48,922,000. As of May 5, 2009, there were 25,216,952 shares of the Company's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Company's definitive Proxy Statement for the Annual Meeting of Stockholders to be held on July 30, 2009 are incorporated by reference into Part III, Items 10, 11, 12, 13 and 14 of this Form 10-K. This Proxy Statement will be filed within 120 days after the end of the fiscal year covered by this report.

PART I

ITEM 1. BUSINESS

THE COMPANY

CalAmp Corp. (“CalAmp” or the “Company”) is a provider of wireless communications solutions that enable anytime/anywhere access to critical data and content. CalAmp’s Wireless DataCom segment services the public safety, utility, industrial monitoring and controls, and mobile resource management markets. CalAmp’s Satellite segment supplies outdoor customer premise equipment to the U.S. Direct Broadcast Satellite market.

WIRELESS DATACOM

The Wireless DataCom segment services the public safety, industrial monitoring and controls, and mobile resource management markets with wireless solutions that extend communications networks to field applications, thereby enabling coordination of emergency response teams, increasing productivity and optimizing workflow for the mobile workforce, improving management controls over valuable assets, and enabling novel applications in a connected world. Lines of business within Wireless DataCom include the following:

Public Safety Mobile (PSM)

Municipalities, public safety agencies and emergency first-responders rely on CalAmp solutions for mobile data and voice communications. CalAmp designs and builds out multi-network wireless systems that enable first responders such as fire, police and EMS personnel to talk, access data and communicate with colleagues, dispatchers and back-office databases remotely. The Dataradio(R) product line is recognized for innovative advanced wireless data products and systems for mission-critical applications. The Smartlink product line provides seamless interoperability with and among disparate legacy analog voice land mobile radio networks within a wide coverage area such as city or county.

Industrial Monitoring & Controls (IMC)

Utilities, oil & gas, mining, rail and security companies rely on CalAmp products for wireless data communications with fixed remote sites and monitoring and actuation of remote equipment. Applications include remotely measuring fresh and wastewater flows, pipeline flow monitoring for oil and gas production, remote utility meter reading, internet enablement and perimeter monitoring.

Mobile Resource Management (MRM)

Commercial enterprises, vehicle financing companies and municipalities rely on CalAmp products and applications to optimize delivery of services and protect valuable assets. Applications include fleet management, asset tracking, student and school bus tracking and route optimization, vehicle recovery, security and Machine-to-Machine (M2M) communications.

During fiscal years 2007 and 2008, the Company made six acquisitions of businesses and product lines to expand its Wireless DataCom segment. The principal acquisitions during this period, consisting of Dataradio, the Technocom MRM product line, Aercept and Smartlink, are described in the Overview section of Management’s Discussion and Analysis of Financial Condition and Results of Operations below, and in Note 2 to the accompanying consolidated financial statements.

SATELLITE

The Satellite segment develops, manufactures and sells Direct Broadcast Satellite (DBS) outdoor consumer premise equipment (CPE) for digital and high definition satellite TV reception.

The Company's DBS reception products are installed at subscribers' premises to receive subscription television programming signals that are transmitted from orbiting satellites. These DBS reception products consist principally of reflector dish antennae, feedhorns, and electronics that receive, process, amplify and switch satellite television signals for distribution over coaxial cable to multiple set-top boxes inside the home. The dish antenna reflects the satellite microwave signal back to a focal point where a feedhorn collects the microwaves and transfers the signals into an integrated amplifier/downconverter that is referred to in the satellite industry as a Low Noise Block Downconverter with Feed ("LNBF"). The microwave amplifier boosts the signal for further processing. The downconverter translates the signal from a microwave frequency into a lower intermediate frequency that is then switched and transmitted over coaxial cable to a specific set-top box inside the home that can acquire, recognize and process the signal to create a picture.

The products are sold primarily to the two U.S. DBS system operators, EchoStar and DirecTV, for incorporation into complete subscription satellite television systems. Revenue of the Company's Satellite segment amounted to \$26.3 million, \$50.5 million and \$155.1 million in fiscal years 2009, 2008 and 2007, respectively. The decline in Satellite revenue in fiscal 2008 is the result of a product performance issue that resulted in the Company's historically largest DBS customer substantially reducing its purchases of the Company's products. In January 2008, this customer requalified CalAmp's designs for the affected products and in May 2008 the Company resumed product shipments to this customer. Although the Company resumed shipments to this customer in the first quarter of fiscal 2009, revenues from this customer are still less than pre-fiscal 2008 levels. This product performance issue is described in more detail under the Satellite heading in Item 7 of Part II herein and in Note 11 to the accompanying consolidated financial statements. The decline in Satellite revenue in fiscal 2009 compared to fiscal 2008 is primarily the result of a reduction of orders from the Company's other key DBS customer due to pricing and competitive pressures, and the time period involved in getting the next generation product qualified with this customer. The Company does not expect to begin shipping this next generation product until late in fiscal 2010.

For additional information regarding the Company's sales by business segment and geographical area, see Note 13 to the accompanying consolidated financial statements.

MANUFACTURING

Electronic devices, components and made-to-order assemblies used in the Company's products are generally obtained from a number of suppliers, although certain components are obtained from sole source suppliers. Some devices or components are standard items while others are manufactured to the Company's specifications by its suppliers. The Company believes that most raw materials are available from alternative suppliers. However, any significant interruption in the delivery of such items could have an adverse effect on the Company's operations.

For the past several years, the Company has outsourced printed circuit board assembly to contract manufacturers in the Pacific Rim. The Company performs final assembly and tests of most its satellite LNBF and some wireless datacom products at its facilities in Oxnard, California. The Company performs additional final assembly and tests on other wireless datacom products at its facilities in Waseca, Minnesota and Montreal, Canada. Printed circuit assemblies are mounted in various aluminum and plastic housings, electronically tested, and subjected to additional environmental tests on a sampled basis prior to packaging and shipping.

Substantially all of the satellite dish antennas have been manufactured by subcontractors in China. In addition, some of the Company's satellite LNBF products are manufactured on a subcontract basis by companies in Taiwan and mainland China.

A substantial portion of the Company's components, and substantially all printed circuit board assemblies and housings, are procured from foreign suppliers and contract manufacturers located primarily in mainland China, Taiwan, and other Pacific Rim countries. Any significant shift in U.S. trade policy toward these countries, or a significant downturn in the economic or financial condition of, or any political instability in, these countries, could cause disruption of the Company's supply chain or otherwise disrupt the Company's operations, which could adversely impact the Company's business.

ISO 9001 INTERNATIONAL CERTIFICATION

The Company became registered to ISO 9001:1994 in 1995, and upgraded its registration to ISO9001:2000 in 2003. ISO 9001:2000 is the widely recognized international standard for quality management in product design, manufacturing, quality assurance and marketing. The Company believes that ISO certification is important to its business because most of the Company's key customers expect their suppliers to have and maintain ISO certification. The registration assessment was performed by Underwriters Laboratories Inc. ("UL") according to the ISO 9001:2000 International Standard. The Company continually performs internal audits to ensure compliance with this quality standard. In addition, UL performs an annual external Compliance Assessment, most recently in July 2008. The Company has maintained its certification through each Compliance Assessment. Every three years, UL performs a full system Recertification Assessment. The next assessment is scheduled for June 2009.

RESEARCH AND DEVELOPMENT

Each of the markets in which the Company competes is characterized by rapid technological change, evolving industry standards, and new product features to meet market requirements. During the last three years, the Company has focused its research and development resources primarily on satellite DBS products, mobile wireless communication systems for public safety voice and data applications, fixed location wireless communication networks for industrial monitoring and controls applications, and cellular tracking products and services for mobile resource management applications. The Company has developed key technology platforms that can be leveraged across many of its businesses and applications. These include communications technology platforms based on proprietary licensed narrowband UHF and VHF frequency radios and modems, standards-based unlicensed broadband wireless IP router/radio modems, and cellular network based tracking units. In addition, development resources have been allocated to broaden existing product lines, reduce product costs and improve performance through product redesign efforts.

Research and development expenses in fiscal years 2009, 2008 and 2007 were \$12,899,000, \$15,710,000 and \$12,989,000, respectively. During this three year period, the Company's research and development expenses have ranged between 6.2% and 13.1% of annual consolidated revenues.

SALES AND MARKETING

The Company's revenues were derived mainly from customers in the United States, which represented 89%, 94%, and 94% of consolidated revenues in fiscal 2009, 2008 and 2007, respectively.

The Wireless DataCom segment sells its products and services through dedicated direct and indirect sales channels. The sales and marketing functions for the MRM business are located primarily in Carlsbad, California. The sales and marketing functions for IMC are located primarily in Waseca, Minnesota. The sales and marketing functions for PSM are located primarily in Atlanta, Georgia. The sales and marketing functions for Aercept are located in Lake Forest, California. In addition, this segment has a small sales office in Europe.

The Satellite segment sells its DBS reception products primarily to the two DBS system operators in the U.S. for incorporation into complete subscription satellite television systems. The sales and marketing functions for the Satellite segment are located primarily at the Company's corporate headquarters in Oxnard, California.

Sales to customers that accounted for 10% or more of consolidated annual sales in any one of the last three years, as a percent of consolidated sales, are as follows:

<u>Customer</u>	<u>Segment</u>	<u>Year ended February 28,</u>		
		<u>2009</u>	<u>2008</u>	<u>2007</u>
EchoStar	Satellite	15.7%	10.9%	50.6%
DirecTV	Satellite	10.3%	23.9%	18.9%
EFJ	Wireless	4.8%	14.2%	5.3%

EchoStar and DirecTV provide satellite television services in the U.S. EchoStar conducts business using the name Dish Network. EF Johnson Technologies, Inc. (EFJ) is a provider of two-way land mobile radios and communication systems for law enforcement, firefighters, EMS and the military. The Company believes that the loss of EchoStar, DirecTV or EFJ as a customer could have a material adverse effect on the Company's financial position and results of operations.

COMPETITION

The Company's markets are highly competitive. In addition, if the markets for the Company's products grow, the Company anticipates increased competition from new companies entering such markets, some of whom may have financial and technical resources substantially greater than those of the Company. The Company believes that competition in its markets is based primarily on performance, reputation, product reliability, technical support and price. The Company's continued success in these markets will depend in part upon its ability to continue to design and manufacture quality products at competitive prices.

Wireless DataCom

The Company believes that the principal competitors for its wireless products include Motorola, M/A-COM, GE-MDS, Tait Radio Communications, Freewave, GenX, Trackn, Enfora and Webtech Wireless.

Satellite

The Company believes that its existing principal competitors for its DBS products include Sharp, Wistron NeWeb Corporation, Microelectronics Technology and Pro Brand. Because the Company's satellite products are not proprietary, it is possible that they may be duplicated by low-cost producers, resulting in increased price and margin pressures.

BACKLOG

The Company's products are sold to customers that do not usually enter into long-term purchase agreements, and as a result, the Company's backlog at any date is not significant in relation to its annual sales. In addition, because of customer order modifications, cancellations, or orders requiring wire transfers or letters of credit from international customers, the Company's backlog as of any particular date may not be indicative of sales for any future period.

INTELLECTUAL PROPERTY

Wireless DataCom Patents

At February 28, 2009, the Wireless DataCom segment had 19 U.S. patents and 11 foreign patents. CalAmp acquired U.S. Patent Nos. 6,025,774 and 6,249,217B1 as part of its acquisition of the Aercept Vehicle Tracking business from AirIQ in March 2007. These patents relate to a vehicle location system that enables automobile finance companies to locate and repossess vehicles serving as collateral on loans that go into default. In fiscal 2008, CalAmp entered into licensing agreements for these patents with DriveOK and SkyWatch GPS. In fiscal 2009, CalAmp entered into licensing agreements with ProCon and Trackn and a patent infringement settlement agreement with iMetrik pursuant to which these parties paid license fees to the Company.

Satellite Patents

As noted above, the Company's satellite products are not proprietary. In the Company's DBS business, the Company's timely application of its technology and its design, development and marketing capabilities have been of substantially greater importance to its business than patents or licenses.

Trademarks

CalAmp(R) and Dataradio(R) are federally registered trademarks of the Company.

EMPLOYEES

At February 28, 2009, the Company had approximately 384 employees and approximately 169 contracted production workers. None of the Company's employees are represented by a labor union. The contracted production workers are engaged through independent temporary labor agencies in California.

EXECUTIVE OFFICERS

The executive officers of the Company are as follows:

<u>NAME</u>	<u>AGE</u>	<u>POSITION</u>
Richard Gold	54	Director, President and Chief Executive Officer
Michael Burdiek	49	Chief Operating Officer
Garo Sarkissian	42	Vice President, Corporate Development
Richard Vitelle	55	Vice President, Finance, Chief Financial Officer and Corporate Secretary

RICHARD GOLD joined the Company in February 2008 and was appointed President and Chief Executive Officer in March 2008. Mr. Gold has been a director of the Company since December 2000 and served as Chairman of the Board from July 2004 to February 2008. Prior to joining the Company, Mr. Gold was a Managing Director of InnoCal Venture Capital, a position he held since May 2004. From December 2002 until May 2004, he served as President and Chief Executive Officer of Nova Crystals, Inc., a supplier of optical sensing equipment. He was Chairman of Radia Communications, Inc., a supplier of wireless communications semiconductors, from June 2002 to July 2003. Prior to this, he was the President and Chief Executive Officer of Genoa Corp. and Pacific Monolithics, Inc., and Vice President and General Manager of Adams Russell Semiconductor. He began his career as an engineer with Hewlett-Packard Co.

MICHAEL BURDIEK joined the Company as Executive Vice President in June 2006 and was appointed President of the Company's Wireless DataCom segment March 2007. Mr. Burdiek was appointed Chief Operating Officer in June 2008. Prior to joining the Company, Mr. Burdiek was the President and CEO of Telenetics Corporation, a publicly held manufacturer of data communications products. From 2004 to 2005, he worked as an investment partner and advisor to the Kasten Group in the private equity sector. From 1987 to 2003, Mr. Burdiek held a variety of technical and general management positions with Comarco, Inc., a publicly held company, most recently as Senior Vice President and General Manager of Comarco's Wireless Test Systems unit. Mr. Burdiek began his career as a design engineer with Hughes Aircraft Company.

GARO SARKISSIAN joined the Company as Vice President, Corporate Development in October 2005 and was appointed an executive officer in July 2006. Prior to joining the Company, from 2003 to 2005 he served as Principal and Vice President of Business Development for Global Technology Investments (GTI), a private equity firm. Prior to GTI, from 1999 to 2003, Mr. Sarkissian held senior management and business development roles at California Eastern Laboratories, a private company developing and marketing radio frequency (RF), microwave and optical components. Mr. Sarkissian began his career as an RF engineer in 1988 and developed state-of-the-art RF power products over a span of 10 years for M/A Com (Tyco) and NEC.

RICHARD VITELLE joined the Company as Vice President, Finance, Chief Financial Officer and Corporate Secretary in July 2001. Prior to joining the Company, he served as Vice President of Finance and CFO of SMTEK International, Inc., a publicly held electronics manufacturing services provider, where he was employed for a total of 11 years. Earlier in his career Mr. Vitelle served as a senior manager with Price Waterhouse.

The Company's executive officers are appointed by and serve at the discretion of the Board of Directors.

AVAILABLE INFORMATION

The Company's primary Internet address is www.calamp.com. The Company makes its Securities and Exchange Commission ("SEC") periodic reports (Forms 10-Q and Forms 10-K) and current reports (Forms 8-K), and amendments to these reports, available free of charge through its website as soon as reasonably practicable after they are filed electronically with the SEC.

Materials that the Company files with the SEC may be read and copied at the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet website at www.sec.gov that contains reports, proxy and information statements, and other information regarding the Company that the Company files electronically with the SEC.

ITEM 1A. RISK FACTORS

The following list describes several risk factors which are unique to our Company:

The Company is dependent on its major customers, the loss of any of which could have a material adverse effect on the Company's future sales and its ability to grow.

The Company's top two customers, Echostar and DirecTV, accounted for 15.7% and 10.3%, respectively, of the Company's consolidated revenues for fiscal 2009. Echostar and DirecTV in the aggregate accounted for 34.8% of CalAmp's consolidated revenues for fiscal 2008 and 69.5% of its consolidated revenues for fiscal 2007. EFJ accounted for 4.8%, 14.2% and 5.3% of CalAmp's consolidated revenues for fiscal 2009, 2008 and 2007, respectively. The loss of Echostar, DirecTV or EFJ as a customer, a deterioration in the overall business of any of them, or a decrease in the volume of sales by any of them, could result in decreased sales and could have a material adverse impact on CalAmp's ability to grow its business. A substantial decrease or interruption in business from any of these key customers could result in write-offs or in the loss of future business and could have a material adverse effect on the Company's business, financial condition or results of operations.

We do not currently have long-term contracts with customers and our customers may cease purchasing products at any time, which could significantly harm our revenues.

We generally do not have long-term contracts with our customers. As a result, our agreements with our customers do not currently provide us with any assurance of future sales. These customers can cease purchasing products from us at any time without penalty, they are free to purchase products from our competitors, they may expose us to competitive price pressure on each order and they are not required to make minimum purchases.

Changes in the forecasted product demand from a DBS customer may require an increase in our inventory reserves and/or reserve for vendor commitment liabilities.

At February 28, 2009, the Company had on-hand inventory of approximately \$3.1 million and outstanding purchase commitments of \$3.4 million for materials that are specific to the products that the Company manufactures for a key DBS customer, which amounts are not currently reserved for because the Company believes these materials can be used in the ordinary course of business as future shipments of products are made to this customer. Nonetheless, changes in the forecasted product demand from this customer could require that the inventory reserve and/or the reserve for vendor commitment liabilities be increased to cover some portion of these amounts.

Because the markets in which we compete are highly competitive and many of our competitors have greater resources than us, we cannot be certain that our products will continue to be accepted in the marketplace or capture increased market share.

The market for DBS products and other wireless products is intensely competitive and characterized by rapid technological change, evolving standards, short product life cycles, and price erosion. We expect competition to intensify as our competitors expand their product offerings and new competitors enter the market. Given the highly competitive environment in which we operate, we cannot be sure that any competitive advantages currently enjoyed by our products will be sufficient to establish and sustain our products in the market. Any increase in price or other competition could result in erosion of our market share, to the extent we have obtained market share, and would have a negative impact on our financial condition and results of operations. We cannot provide assurance that we will have the financial resources, technical expertise or marketing and support capabilities to compete successfully.

Information about the Company's competitors is included in Part I, Item 1 of this Annual Report on Form 10-K under the heading "COMPETITION".

Our business is subject to many factors that could cause our quarterly or annual operating results to fluctuate and our stock price to continue to be volatile.

Our quarterly and annual operating results have fluctuated in the past and may fluctuate significantly in the future due to a variety of factors, many of which are outside of our control. Some of the factors that could affect our quarterly or annual operating results include:

- the timing and amount of, or cancellation or rescheduling of, orders for our products;
- our ability to develop, introduce, ship and support new products and product enhancements and manage product transitions;
- announcements, new product introductions and reductions in the price of products offered by our competitors;
- our ability to achieve cost reductions;
- our ability to obtain sufficient supplies of sole or limited source components for our products;
- our ability to achieve and maintain production volumes and quality levels for our products;
- our ability to maintain the volume of products sold and the mix of distribution channels through which they are sold;
- the loss of any one of our major customers or a significant reduction in orders from those customers;
- increased competition, particularly from larger, better capitalized competitors;
- fluctuations in demand for our products and services; and
- telecommunications and wireless market conditions specifically and economic conditions generally.

Due in part to factors such as the timing of product release dates, purchase orders and product availability, significant volume shipments of products could occur at the end of a fiscal quarter. Failure to ship products by the end of a quarter may adversely affect operating results. In the future, our customers may delay delivery schedules or cancel their orders without notice. Due to these and other factors, our quarterly revenue, expenses and results of operations could vary significantly in the future, and period-to-period comparisons should not be relied upon as indications of future performance.

Because some of our components, assemblies and electronics manufacturing services are purchased from sole source suppliers or require long lead times, our business is subject to unexpected interruptions, which could cause our operating results to suffer.

Some of our key components are complex to manufacture and have long lead times. Also, our DBS dish antennas, LNBF housings, subassemblies and some of our electronic components are purchased from sole source vendors for which alternative sources are not readily available. In the event of a reduction or interruption of supply, or a degradation in quality, as many as six months could be required before we would begin receiving adequate supplies from alternative suppliers, if any. As a result, product shipments could be delayed and revenues and results of operations could suffer. Furthermore, if we receive a smaller allocation of component parts than is necessary to manufacture products in quantities sufficient to meet customer demand, customers could choose to purchase competing products and we could lose market share.

If we do not meet product introduction deadlines, our business could be adversely affected.

Our inability to develop new products or product features on a timely basis, or the failure of new products or product features to achieve market acceptance, could adversely affect our business. In the past, we have experienced design and manufacturing difficulties that have delayed the development, introduction or marketing of new products and enhancements and which caused us to incur unexpected expenses. In addition, some of our existing customers have conditioned their future purchases of our products on the addition of product features. In the past we have experienced delays in introducing new features. Furthermore, in order to compete in some markets, we will have to develop different versions of existing products that operate at different frequencies and comply with diverse, new or varying governmental regulations in each market.

If demand for our products fluctuates rapidly and unpredictably, it may be difficult to manage the business efficiently, which may result in reduced gross margins and profitability.

Our cost structure is based in part on our expectations for future demand. Many costs, particularly those relating to capital equipment and manufacturing overhead, are relatively fixed. Rapid and unpredictable shifts in demand for our products may make it difficult to plan production capacity and business operations efficiently. If demand is significantly below expectations, we may be unable to rapidly reduce these fixed costs, which can diminish gross margins and cause losses. A sudden downturn may also leave us with excess inventory, which may be rendered obsolete as products evolve during the downturn and demand shifts to newer products. Our ability to reduce costs and expenses may be further constrained because we must continue to invest in research and development to maintain our competitive position and to maintain service and support for our existing customer base. Conversely, in the event of a sudden upturn, we may incur significant costs to rapidly expedite delivery of components, procure scarce components and outsource additional manufacturing processes. These costs could reduce our gross margins and overall profitability. Any of these results could adversely affect our business.

Because we currently sell, and we intend to grow the sales of, certain of our products in countries other than the United States, we are subject to different regulatory schemes. We may not be able to develop products that work with the standards of different countries, which could result in our inability to sell our products and, further, we may be subject to political, economic, and other conditions affecting such countries, which could result in reduced sales of our products and which could adversely affect our business.

If our sales are to grow in the longer term, we believe we must grow our international business. Many countries require communications equipment used in their country to comply with unique regulations, including safety regulations, radio frequency allocation schemes and standards. If we cannot develop products that work with different standards, we will be unable to sell our products in those locations. If compliance proves to be more expensive or time consuming than we anticipate, our business would be adversely affected. Some countries have not completed their radio frequency allocation process and therefore we do not know the standards with which we would be forced to comply. Furthermore, standards and regulatory requirements are subject to change. If we fail to anticipate or comply with these new standards, our business and results of operations will be adversely affected.

Sales to customers outside the U.S. accounted for 12%, 6% and 6% of CalAmp's total sales for the fiscal years ended February 28, 2009, 2008 and 2007, respectively. Assuming that we continue to sell our products to foreign customers, we will be subject to the political, economic and other conditions affecting countries or jurisdictions other than the U.S., including Africa, the Middle East, Europe and Asia. Any interruption or curtailment of trade between the countries in which we operate and our present trading partners, changes in exchange rates, significant shift in U.S. trade policy toward these countries, or significant downturn in the political, economic or financial condition of these countries, could cause demand for and sales of our products to decrease, or subject us to increased regulation including future import and export restrictions, any of which could adversely affect our business.

Additionally, a substantial portion of our components and subassemblies are currently procured from foreign suppliers located primarily in Hong Kong, mainland China, Taiwan, and other Pacific Rim countries. Any significant shift in U.S. trade policy toward these countries or a significant downturn in the political, economic or financial condition of these countries could cause disruption of our supply chain or otherwise disrupt operations, which could adversely affect our business.

We may not be able to adequately protect our intellectual property, and our competitors may be able to offer similar products and services that would harm our competitive position.

Other than in our Satellite products business, which currently does not depend upon patented technology, our ability to succeed in wireless data communications markets may depend, in large part, upon our intellectual property for some of our wireless technologies. We currently rely primarily on patents, trademark and trade secret laws, confidentiality procedures and contractual provisions to establish and protect our intellectual property. However, these mechanisms provide us with only limited protection. We currently hold 21 patents. As part of our confidentiality procedures, we enter into non-disclosure agreements with all employees, including officers, managers and engineers. Despite these precautions, third parties could copy or otherwise obtain and use our technology without authorization, or develop similar technology independently. Furthermore, effective protection of intellectual property rights is unavailable or limited in some foreign countries. The protection of our intellectual property rights may not provide us with any legal remedy should our competitors independently develop similar technology, duplicate our products and services, or design around any intellectual property rights we hold.

We may be subject to infringement claims that may disrupt the conduct of our business and affect our profitability.

We may be subject to legal proceedings and claims from time to time relating to the intellectual property of others, even though we take steps to assure that neither our employees nor our contractors knowingly incorporate unlicensed copyrights or trade secrets into our products. It is possible that third parties may claim that our products and services infringe upon their trademark, patent, copyright, or trade secret rights. Any such claims, regardless of their merit, could be time consuming, expensive, cause delays in introducing new or improved products or services, require us to enter into royalty or licensing agreements or require us to stop using the challenged intellectual property. Successful infringement claims against us may materially disrupt the conduct of our business and affect profitability.

Availability of radio frequencies may restrict the growth of the wireless communications industry and demand for our products.

Radio frequencies are required to provide wireless services. The allocation of frequencies is regulated in the United States and other countries throughout the world and limited spectrum space is allocated to wireless services. The growth of the wireless communications industry may be affected if adequate frequencies are not allocated or, alternatively, if new technologies are not developed to better utilize the frequencies currently allocated for such use.

Industry growth has been and may continue to be affected by the availability of licenses required to use frequencies and related costs. Over the last several years, frequency spectrum has been reallocated for specific applications and the related frequency relocation costs have increased significantly. This significant reassignment of spectrum has slowed and may continue to slow the growth of the industry. Growth is slowed because some

customers have funding constraints limiting their ability to purchase new technology to upgrade systems and the financial results for a number of businesses have been affected by the industry's rate of growth. Slowed industry growth may restrict the demand for our products.

A failure to rapidly transition or to transition at all to newer digital technologies could adversely affect our business.

Our success, in part, will be affected by the ability of our wireless businesses to continue their transition to newer digital technologies, and to successfully compete in these markets and gain market share. We face intense competition in these markets from both established companies and new entrants. Product life cycles can be short and new products are expensive to develop and bring to market.

We depend upon wireless networks owned and controlled by others, unproven business models and emerging wireless carrier models to deliver existing services and to grow.

If we do not have continued access to sufficient capacity on reliable networks, we may be unable to deliver services and our sales could decrease. Our ability to grow and achieve profitability partly depends on our ability to buy sufficient capacity on the networks of wireless carriers and on the reliability and security of their systems. Some of our wireless services are delivered using airtime purchased from third parties. We depend on these third parties to provide uninterrupted service free from errors or defects and would not be able to satisfy our customers' needs if they failed to provide the required capacity or needed level of service. In addition, our expenses would increase and profitability could be materially adversely affected if wireless carriers were to significantly increase the prices of their services. Our existing agreements with the wireless carriers generally have one-year terms. Some of these wireless carriers are, or could become, our competitors, and if they compete with us, they may refuse to provide us with airtime on their networks.

New laws and regulations that impact the industry could increase costs or reduce opportunities for us to earn revenue.

Except as described below under "Governmental Regulation", we are not currently subject to direct regulation by the Federal Communications Commission ("FCC") or any other governmental agency, other than regulations applicable to Delaware corporations of similar size that are headquartered in California. However, in the future, we may become subject to regulation by the FCC or another regulatory agency. In addition, the wireless carriers that supply airtime and certain hardware suppliers are subject to regulation by the FCC, and regulations that affect them could increase our costs or reduce our ability to continue selling and supporting our services.

Governmental Regulation

CalAmp's products are subject to certain mandatory regulatory approvals in the United States, Canada and other countries in which it operates. In the United States, the FCC regulates many aspects of communication devices, including radiation of electromagnetic energy, biological safety and rules for devices to be connected to the telephone network. In Canada, similar regulations are administered by Industry Canada. Although CalAmp has obtained necessary FCC and Industry Canada approvals for all products it currently sells, there can be no assurance that such approvals can be obtained for future products on a timely basis, or at all. In addition, such regulatory requirements may change or the Company may not in the future be able to obtain all necessary approvals from countries other than Canada or the United States in which it currently sells its products or in which it may sell its products in the future.

The FCC and Industry Canada may be slow in adopting new regulations allowing private wireless networks to deliver higher data rates in licensed frequency bands for public safety applications. This could adversely affect demand for private networks as traditional private network users may opt for public network connections for all or part of their wireless communication needs. This could have a material adverse effect on the Company's business, results of operations and financial condition since the Company's Public Safety Mobile data products are currently used predominantly in private networks.

Our bank credit agreement has a maturity date of December 31, 2009.

At February 28, 2009, outstanding borrowings on the bank term loan amounted to \$17.6 million. The Company believes that it will be able to refinance the bank term loan from the proceeds of an asset based loan before the December 31, 2009 maturity date, possibly supplemented by proceeds of another funding source. However, there is no assurance that the Company will be able to refinance the term loan from other funding sources, particularly given the current credit market difficulties, or will be able to extend the maturity date of the bank loan in the event efforts to refinance the loan are not successful.

Reduced consumer or corporate spending due to uncertainties in the macroeconomic environment could adversely affect our revenues and cash flow, and our ability to make payments on our debt and operate our businesses.

We depend on demand from the consumer, original equipment manufacturer, industrial, automotive and other markets we serve for the end market applications of our products. Our revenues are based on certain levels of consumer and corporate spending. If the significant reductions in consumer or corporate spending as a result of uncertain conditions in the macroeconomic environment continue, our revenues, profitability and cash flow could be adversely affected.

Our ability to make payments of principal and interest on our indebtedness depends upon our future financial performance and ability to generate positive operating cash flows, which is subject to general economic conditions, industry cycles and financial, business and other factors affecting our consolidated operations, many of which are beyond our control. If we are unable to generate sufficient cash flow from operations in the future to service our debt, we may be required to, among other things:

- refinance or restructure all or a portion of our indebtedness;
- obtain additional financing in the debt or equity markets;
- sell selected assets or businesses;
- reduce or delay planned capital expenditures; or
- reduce or delay planned operating expenditures.

Such measures might not be sufficient to enable us to service our debt, and, if not, we could then be in default under the applicable terms governing our debt, which could have a material adverse effect on us. In addition, any such financing, refinancing or sale of assets might not be available on economically favorable terms, if at all.

Rises in interest rates could adversely affect our financial condition.

An increase in prevailing interest rates has an immediate effect on the interest rates charged on our variable rate bank debt, which rise and fall upon changes in interest rates on a periodic basis. Any increased interest expense associated with increases in interest rates affects our cash flow and could affect our ability to service our debt.

It is possible that our common stock could be delisted from Nasdaq and if this were to occur, the market price and liquidity of our common stock could be negatively affected.

Nasdaq has established certain standards for the continued listing of a security on the Nasdaq Global Select Market. The standards for continued listing include, among other things, that the minimum bid price for the listed securities be at least \$1.00 per share. Under these rules, a security is considered deficient if it fails to achieve at least a \$1.00 closing bid price for a period of 30 consecutive business days. Our common stock has traded below \$1.00 for substantially all of the period since October 2008. Although Nasdaq has suspended this rule until at least July 20, 2009, there is no assurance that the minimum bid price of the Company's stock will be in compliance when this rule is reinstated and that Nasdaq will not initiate procedures to delist our common stock if we fail to comply with this rule. If our common stock were to be delisted from Nasdaq, the price of our common stock and the ability of holders to sell such stock could be adversely affected, and we would be required to comply with the initial listing requirements to be relisted on Nasdaq.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None

ITEM 2. PROPERTIES

The Company's principal facilities, all leased, are as follows:

<u>Location</u>	<u>Square Footage</u>	<u>Use</u>
Oxnard, California	98,000	Corporate office, Satellite segment offices and manufacturing plant
Carlsbad, California	8,000	Wireless DataCom offices
Lake Forest, California.	16,000	Wireless DataCom offices
Atlanta, Georgia	6,000	Wireless DataCom sales and systems engineering offices
Chaska, Minnesota	4,000	Product design facility
Waseca, Minnesota	34,000	Wireless DataCom offices and manufacturing plant
Montreal, Quebec, Canada	24,000	Wireless DataCom offices, product design and assembly operations
Paris, France	150	Sales office
San Diego, California	22,000	Former Solutions Division offices which were vacated in 2007 and are available for sublease

ITEM 3. LEGAL PROCEEDINGS

In November 2008, a class action lawsuit was filed in the Los Angeles County Superior Court against the Company, the former owner of the Company's Aercept business and one of Aercept's distributors. The plaintiff seeks monetary damages in an amount not yet specified. The class has not been certified. The lawsuit alleges that Aercept made misrepresentations when the plaintiff purchased analog vehicle tracking devices in 2005, which was prior to CalAmp's acquisition of Aercept in an asset purchase. The tracking devices ceased functioning in early 2008 due to termination of analog service by the wireless network operators. The Company is seeking dismissal of the lawsuit on the basis that the assertion of successor liability is not supported by the law or the facts. No loss accrual has been made in the accompanying financial statements for this matter.

In May 2007, a patent infringement suit was filed against the Company in the U.S. District Court for the Eastern District of Texas. The lawsuit contended that the Company infringed on four patents and sought injunctive and monetary relief. In August 2007, the Company denied the plaintiff's claims and asserted counterclaims. The District Court subsequently ordered the dismissal of claims related to three patents and in June 2008, the United States Patent and Trademarks Office ("USPTO") issued a preliminary office action rejecting the plaintiff's claim involving the remaining patent in the lawsuit. In August 2008, the plaintiff filed a response to the USPTO's preliminary office action requesting reconsideration in light of amendments to the claim and remarks contained in the response. The USPTO has not yet acted on this response. In light of the USPTO's preliminary office action, the case has been stayed by the District Court until the USPTO reaches a final decision in the reexamination proceeding. The Company continues to believe the lawsuit is without merit and intends to vigorously defend against this action if and when court proceedings resume. No loss accrual has been made in the accompanying financial statements for this matter.

In May 2007, the Company filed a lawsuit against Rogers Corporation ("Rogers") for product liability issues related to defective laminate material and subsequent damages incurred by the Company as a result of lost business and the cost of product repair work associated with one of CalAmp's DBS customers. Rogers manufactures

and supplies printed circuit laminate materials to sub-contractors of the Company that is incorporated into the Company's DBS products. In January 2009, the Company reached an out-of-court settlement of litigation with Rogers pursuant to which Rogers paid the Company \$9 million cash. In the settlement agreement the parties acknowledged that Rogers admitted no wrongdoing or liability for any claim, and that Rogers agreed to settle this litigation to avoid the time, expense and inconvenience of continued litigation. Both parties gave mutual releases of all claims and demands existing as of the settlement date.

In addition to the foregoing matters, the Company from time to time is a party, either as plaintiff or defendant, to various legal proceedings and claims that arise in the ordinary course of business. While the outcome of these claims cannot be predicted with certainty, management does not believe that the outcome of any of these legal matters will have a material adverse effect on the Company's consolidated financial position or results of operations.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of the Company's security holders during the fourth quarter of fiscal 2009.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The Company's Common Stock trades on the Nasdaq Global Select Market under the ticker symbol CAMP. The following table sets forth, for the last two years, the quarterly high and low sale prices for the Company's Common Stock as reported by Nasdaq:

	<u>LOW</u>	<u>HIGH</u>
Fiscal Year Ended February 28, 2009		
1st Quarter	\$2.41	\$ 3.44
2nd Quarter	1.67	2.60
3rd Quarter	0.46	2.60
4th Quarter	0.41	1.14
Fiscal Year Ended February 28, 2008		
1st Quarter	\$4.25	\$ 9.50
2nd Quarter	3.55	4.86
3rd Quarter	2.24	4.50
4th Quarter	2.15	3.11

At May 9, 2009 the Company had approximately 1,800 stockholders of record. The number of stockholders of record does not include the number of persons having beneficial ownership held in "street name" which are estimated to approximate 5,000. The Company has never paid a cash dividend and has no current plans to pay cash dividends on its Common Stock. The Company's bank credit agreement prohibits payment of dividends without the prior written consent of the bank.

ITEM 6. SELECTED FINANCIAL DATA

	Year ended February 28,				
	2009	2008	2007	2006	2005
	(In thousands except per share amounts)				
OPERATING DATA					
Revenues	\$ 98,370	\$ 140,907	\$ 211,714	\$ 196,908	\$ 194,835
Cost of revenues	60,244	122,412	166,279	151,319	159,071
Gross profit	38,126	18,495	45,435	45,589	35,764
Operating expenses:					
Research and development	12,899	15,710	12,989	8,018	6,187
Selling	8,959	10,633	6,765	2,715	2,225
General and administrative	12,087	14,966	9,792	6,685	5,678
Intangible asset amortization	4,429	6,418	3,463	778	104
Write-off of acquired in-process research and development	—	310	6,850	310	471
Impairment loss	44,736	71,276	—	—	—
Total operating expenses	83,110	119,313	39,859	18,506	14,665
Operating income (loss)	(44,984)	(100,818)	5,576	27,083	21,099
Other income (expense), net	(911)	(2,472)	591	533	(120)
Income (loss) from continuing operations before income taxes	(45,895)	(103,290)	6,167	27,616	20,979
Income tax benefit (provision)	(3,770)	20,940	(4,716)	(11,154)	(7,874)
Income (loss) from continuing operations . . .	(49,665)	(82,350)	1,451	16,462	13,105
Loss from discontinued operations, net of tax	—	(597)	(32,639)	(1,900)	(5,029)
Loss on sale of discontinued operations, net of tax	—	(1,202)	—	—	—
Net income (loss)	\$ (49,665)	\$ (84,149)	\$ (31,188)	\$ 14,562	\$ 8,076
Basic earnings (loss) per share from:					
Continuing operations	\$ (2.01)	\$ (3.45)	\$ 0.06	\$ 0.72	\$ 0.61
Discontinued operations	—	(0.08)	(1.40)	(0.08)	(0.23)
Total basic earnings (loss) per share	\$ (2.01)	\$ (3.53)	\$ (1.34)	\$ 0.64	\$ 0.38
Diluted earnings (loss) per share from:					
Continuing operations	\$ (2.01)	\$ (3.45)	\$ 0.06	\$ 0.70	\$ 0.59
Discontinued operations	—	(0.08)	(1.40)	(0.08)	(0.23)
Total diluted earnings (loss) per share	\$ (2.01)	\$ (3.53)	\$ (1.34)	\$ 0.62	\$ 0.36

	February 28,				
	2009	2008	2007	2006	2005
	(In thousands)				
BALANCE SHEET DATA					
Current assets	\$44,175	\$ 66,767	\$ 113,524	\$ 99,236	\$ 88,534
Current liabilities	\$45,458	\$ 40,059	\$ 38,637	\$ 21,873	\$ 29,662
Working capital	\$ (1,283)	\$ 26,708	\$ 74,887	\$ 77,368	\$ 58,872
Current ratio	1.0	1.7	2.9	4.5	3.0
Total assets	\$69,647	\$143,041	\$ 229,703	\$ 204,346	\$196,755
Long-term debt	\$ —	\$ 27,187	\$ 31,314	\$ 5,511	\$ 7,679
Stockholders' equity	\$23,199	\$ 73,420	\$ 151,251	\$ 176,109	\$158,288

Factors affecting the year-to-year comparability of the Selected Financial Data include business acquisitions, significant operating charges and adoption of new accounting standards, as follows:

- In fiscal 2009, the Company recorded a Satellite segment impairment charge of \$2.3 million, a Wireless DataCom segment impairment charge of \$41.3 million and an investment impairment charge of \$1.1 million.
- In fiscal 2009, the Company received \$9 million in a legal settlement with Rogers Corporation, a supplier of laminate materials that are part of the Company's DBS products. This was recorded as a reduction of Satellite cost of revenues.
- In fiscal 2008, the Company recorded a \$17.9 million charge for estimated expenses to resolve a product performance issue involving a key DBS customer.
- In fiscal 2008, the Company recorded a Satellite goodwill impairment charge of \$44.4 million and a Wireless DataCom goodwill impairment charge of \$26.9 million.
- In the first quarter of fiscal 2007, the Company acquired Dataradio Inc. and the TechnoCom MRM product line. In the first quarter of fiscal 2008, the Company acquired the Aercept vehicle tracking business and the Smartlink business. These acquisitions are further described in Note 2 to the accompanying consolidated financial statements.
- In the first quarter of fiscal 2007, the Company recorded charges of \$6,850,000 for the write-off of in-process research and development costs in connection with the Dataradio acquisition and \$29,848,000 for the impairment of goodwill and other intangible assets of the Solutions Division, as further described in Notes 2 and 5, respectively, to the accompanying consolidated financial statements. The \$29.9 million impairment charge of fiscal 2007 is included in loss from discontinued operations for that year.
- At the beginning of fiscal 2007, the Company adopted the provisions of Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards ("SFAS") No. 123R, "Share-Based Payments", as further described in Note 1 of the accompanying consolidated financial statements under the caption "Accounting for Stock Options".

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward Looking Statements

Forward looking statements in this Form 10-K which include, without limitation, statements relating to the Company's plans, strategies, objectives, expectations, intentions, projections and other information regarding future performance, are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The words "may", "will", "could", "plans", "intends", "seeks", "believes", "anticipates", "expects", "estimates", "judgment", "goal", and variations of these words and similar expressions, are intended to identify forward-looking statements. These forward-looking statements reflect the Company's current views with respect to future events and financial performance and are subject to certain risks and uncertainties, including, without limitation, product demand, market growth, competitive pressures and pricing declines in the Company's Satellite and Wireless markets, supplier constraints, manufacturing yields, the length and extent of the global economic downturn that has and may continue to adversely affect the Company's business, the ability of the Company to refinance or extend its bank term loan prior to the December 31, 2009 maturity date, and other risks and uncertainties that are set forth under the caption "Risk Factors" in Part I, Item 1A of this Annual Report on Form 10-K. Such risks and uncertainties could cause actual results to differ materially from historical or anticipated results. Although the Company believes the expectations reflected in such forward-looking statements are based upon reasonable assumptions, it can give no assurance that its expectations will be attained. The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Basis of Presentation

The Company uses a 52-53 week fiscal year ending on the Saturday closest to February 28, which for fiscal years 2009, 2008 and 2007 fell on February 28, 2009, March 1, 2008, and March 3, 2007, respectively. In these consolidated financial statements, the fiscal year end for all years is shown as February 28 for clarity of presentation. Fiscal years 2009 and 2008 each consisted of 52 weeks, while fiscal year 2007 consisted of 53 weeks.

Overview

CalAmp Corp. ("CalAmp" or the "Company") is a provider of wireless communications solutions that enable anytime/anywhere access to critical data and content. CalAmp's Wireless DataCom business services the public safety, utility, industrial monitoring and controls, and mobile resource management ("MRM") markets. CalAmp's Satellite business supplies outdoor customer premise equipment to the U.S. Direct Broadcast Satellite ("DBS") market.

The Company has two reporting segments: Satellite and Wireless DataCom. The Satellite segment consists of the Company's DBS business, and the Wireless DataCom segment consists of CalAmp's legacy wireless businesses other than DBS and the acquired businesses as described below. The Solutions Division, the remaining operations of which were sold in August 2007, is presented as a discontinued operation in the accompanying consolidated statements of operations.

Wireless DataCom

The Wireless DataCom segment services the public safety, industrial monitoring and controls, and mobile resource management market segments with wireless solutions that extend communications networks to field applications, thereby enabling coordination of emergency response teams, increasing productivity and optimizing workflow for the mobile workforce, improving management controls over valuable remote assets, and enabling novel applications in a connected world. Wireless DataCom is comprised of the Company's legacy wireless businesses other than DBS and businesses acquired during the last three years. These principal acquisitions are described below, and further details are provided in Note 2 to the accompanying consolidated financial statements.

On May 26, 2006 the Company acquired privately held Dataradio Inc., a leading supplier of proprietary advanced mobile and fixed wireless data communication systems, products, and solutions for public safety, critical infrastructure and industrial control applications, for a cash payment of Canadian \$60.1 million, or U.S. \$54.3 million at the then-effective exchange rate. The Dataradio acquisition expanded CalAmp's wireless data communications business while furthering the Company's strategic goals of diversifying its customer base and expanding its product offerings into higher-margin growth markets. In connection with the acquisition of Dataradio the Company recorded a charge of \$6,850,000 for in-process research and development costs of the acquired business as part of the purchase price allocation.

Also on May 26, 2006, the Company acquired the Mobile Resource Management product line from privately held TechnoCom Corporation. This product line is used to help track fleets of cars and trucks. These location monitoring units communicate via public (i.e. cellular) wireless networks and are distributed on an OEM basis to application service providers and system integrators offering mobile resource management solutions. In addition, the business offers a backend device management system to minimize support and service costs and also sophisticated unit firmware providing a greater range of vehicle information and communication capabilities. The purchase price for this acquisition was \$2.4 million in cash and an earn-out payment equal to revenues in excess of \$3.1 million during the 12-month period following the acquisition. The Company made earn-out payments of \$1.0 million and \$1.2 million during fiscal 2008 and 2009, respectively.

On March 16, 2007, the Company acquired Aercept (formerly known as Aircept), a vehicle tracking business, from AirIQ Inc., a Canadian company, for cash consideration of \$19 million. The source of funds for the purchase price was the Company's cash on hand. Aercept's business involves the sale of end-to-end hosted asset tracking services to vehicle lenders that specialize in automobile financing for high credit risk individuals. Aercept's products utilize Global Positioning Satellite (GPS) and cellular technology to provide up-to-date location and tracking information.

On April 4, 2007, the Company acquired the business and substantially all the assets of SmartLink Radio Networks, a privately-held company, for cash consideration of \$7.9 million. The source of funds for the purchase price was the Company's cash on hand. SmartLink provides proprietary interoperable radio communications platforms and integration services for public safety and critical infrastructure applications. SmartLink's software defined switch provides interoperability with legacy analog wireless communications networks without the need to replace the installed base of land mobile radios.

Satellite

The Company's DBS reception products are sold primarily to the two U.S. DBS system operators, Echostar and DirecTV, for incorporation into complete subscription satellite television systems. Prior to fiscal 2008, the Company's overall revenue consisted principally of sales of satellite television outdoor reception equipment for the U.S. DBS industry. Such sales accounted for 73% and 86% of consolidated revenue in fiscal years 2007 and 2006, respectively. In fiscal 2008, as a result of a DBS product performance issue as described below, one of the Company's DBS customers substantially reduced its purchases of the Company's products. For this reason, sales of DBS products accounted for only 36% of consolidated revenues for fiscal 2008. The DBS system operators have an approximately 31% share of the total subscription television market in the U.S. In calendar 2008, the size of the U.S. DBS market grew by 2% from 30.6 million subscribers to approximately 31.3 million subscribers at December 31, 2008.

During fiscal 2007, the Company received notification from one of its DBS customers of a field performance issue with a DBS product that the Company began shipping in 2004. After examining the various component parts used in the manufacture of these products, it was determined by the Company that the performance issue was the result of a deterioration of the printed circuit board (PCB) laminate material used in these products.

In addition to returning product, in May 2007 this DBS customer put on hold all orders for CalAmp products, including newer generation products, pending the requalification of all products manufactured by the Company for this customer. In January 2008, the customer requalified CalAmp's designs for the affected products and in late May 2008 the Company resumed product shipments to this customer. As of February 28, 2009, the Company had 483,000 returned units that are expected to be repaired and reshipped to the customer in the future.

During fiscal 2008, the Company recorded a charge of \$17.9 million for this matter, which amount is included in cost of revenues in the accompanying consolidated statements of operations. The Company reached a settlement agreement with this customer in December 2007 as further described in Note 11 to the accompanying consolidated financial statements. Pursuant to the settlement agreement, the Company agreed to rework certain DBS products previously returned to the Company or to be returned over a 15-month period and agreed to provide extended warranty periods for workmanship (18 months) and product failures due to the issue with the PCB laminate material (36 months). In addition, as part of the settlement the Company issued to the customer a \$5 million non-interest bearing note payable, a \$1 million credit against outstanding receivables due from the customer, 1,000,000 shares of common stock and 350,000 common stock purchase warrants exercisable at \$3.72 per share for three years. The note, which had an outstanding balance of \$3.5 million at February 28, 2009, is repayable at a rate of \$5 per unit on the first 1,000,000 DBS units purchased by the customer after the date of the settlement agreement, except that for the first 120,000 units of a particular product sold between January and May 2009 the note payment amount is \$20 instead of \$5 per unit. The consideration issued by the Company under the settlement agreement reduced the reserves by \$8.8 million. At February 28, 2009, the Company had total reserves of \$5.4 million for this matter.

In May 2007, the Company filed a lawsuit against Rogers, a PCB laminate supplier for negligence, strict product liability, intentional misrepresentation and negligent interference with prospective economic advantage, among other causes of action. In January 2009, the Company reached an out-of-court settlement of litigation with Rogers, pursuant to which Rogers paid the Company \$9 million cash. In the settlement agreement the parties acknowledged that Rogers admitted no wrongdoing or liability for any claim, and that Rogers agreed to settle this litigation to avoid the time, expense and inconvenience of continued litigation. Both parties gave mutual releases of all claims and demands existing as of the settlement date.

Discontinued Operations

The Company's acquisition of Vytek Corporation ("Vytek") in April 2004 gave rise to goodwill of approximately \$72 million. In accordance with the applicable accounting rules, the goodwill of \$72 million was apportioned between CalAmp's Solutions Division and former Products Division (now split into two segments - Satellite and Wireless DataCom) because both segments were expected to benefit from the acquisition. The apportionment analysis resulted in allocating \$37 million of the goodwill to the Products Division and the remaining \$35 million to the Solutions Division. As a result of the fiscal 2007 annual impairment test of the Solutions Division goodwill conducted as of April 30, 2006, the Company determined that there was an impairment of goodwill, and accordingly, an impairment charge was recorded in fiscal 2007 in the amount of \$29,012,000. In addition, the Company recorded an \$836,000 impairment charge related to the other intangible assets arising from the Vytek acquisition. The impairment charges reflected the declining revenues associated with the Solutions Division's information technology professional consulting business, due primarily to the inability of the Solutions Division to generate new recurring revenue streams to grow the business.

The Company sold the TelAlert software business of the Solutions Division to a privately held company on August 9, 2007 for total consideration of \$9.4 million, consisting of \$4.0 million in cash, a non-interest bearing note with present value of \$2.3 million and preferred stock of the acquirer initially valued at \$3.1 million. As of February 28, 2009, the estimated fair value of the preferred stock was \$2.0 million. The Company concluded that this decline in fair value was not temporary and accordingly recorded an impairment loss of \$1.1 million.

The Company recognized a pre-tax gain of \$2.1 million on the sale of the TelAlert software business. The income tax expense attributable to the gain was \$3.0 million because at the time of sale there was goodwill of \$5.4 million associated with this business that was not deductible for income tax purposes.

The TelAlert software business was the remaining business of the Solutions Division. Operating results for the Solutions Division have been presented in the accompanying consolidated statements of operations as a discontinued operation, as further described in Note 2 to the accompanying consolidated financial statements. The Solutions Division goodwill and intangible asset impairment charges in fiscal 2007 described above in the aggregate amount of \$29,848,000 are included in the "Loss from operations of discontinued operations, net of tax" in the accompanying consolidated statement of operations for the year ended February 28, 2007.

Critical Accounting Policies

The Company's discussion and analysis of its financial condition and results of operations are based upon the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of sales and expenses during the reporting periods. Areas where significant judgments are made include, but are not limited to: the allowance for doubtful accounts, inventory valuation, product warranties, the deferred tax asset valuation allowance, and the valuation of long-lived assets and goodwill. Actual results could differ materially from these estimates.

Allowance for Doubtful Accounts

The Company establishes an allowance for estimated bad debts based upon a review and evaluation of specific customer accounts identified as known and expected collection problems, based on historical experience, or due to insolvency or other collection issues. As further described in Note 1 to the accompanying consolidated financial statements, the Company's customer base is concentrated, with three customers accounting for 31% of the Company's fiscal 2009 sales. Changes in either a key customer's financial position, or the economy as a whole, could cause actual write-offs to be materially different from the recorded allowance amount.

Inventories

The Company evaluates the carrying value of inventory on a quarterly basis to determine if the carrying value is recoverable at estimated selling prices. To the extent that estimated selling prices do not exceed the associated carrying values, inventory carrying amounts are written down. In addition, the Company generally treats inventory on hand or committed with suppliers, which is not expected to be sold within the next 12 months, as excess and thus appropriate write-downs of the inventory carrying amounts are established through a charge to cost of revenues. Estimated usage in the next 12 months is based on firm demand represented by orders in backlog at the end of the quarter and management's estimate of sales beyond existing backlog, giving consideration to customers' forecasted demand, ordering patterns and product life cycles. Significant reductions in product pricing, or changes in technology and/or demand may necessitate additional write-downs of inventory carrying value in the future.

As further described in Note 11 to the consolidated financial statements, at February 28, 2009 the Company had an inventory reserve of \$1.2 million that was established during fiscal 2008 in connection with a product performance issue involving a key DBS customer. Also as described in Note 11, the Company had on-hand inventory of \$3.1 million and outstanding purchase commitments of \$3.4 million for materials that are specific to the products that the Company manufactures for this customer. These amounts are not currently reserved for because the Company believes these materials can be used in the ordinary course of business as future shipments of products are made to this customer. Nonetheless, changes in the forecasted product demand from this customer could require that the inventory reserve and/or the reserve for vendor commitment liabilities be increased to cover some portion of these amounts.

Product Warranties

The Company initially provides for the estimated cost of product warranties at the time revenue is recognized. While it engages in extensive product quality programs and processes, the Company's warranty obligation is affected by product failure rates and material usage and service delivery costs incurred in correcting a product failure. Should actual product failure rates, material usage or service delivery costs differ from management's estimates, revisions to the estimated warranty liability would be required.

As further described in Note 11 to the accompanying consolidated financial statements, at February 28, 2009 the Company had a \$2.9 million reserve for accrued warranty costs in connection with a product performance issue involving a key DBS customer. The Company believes that this warranty reserve will be adequate to cover total future product rework costs under this settlement agreement.

Deferred Income Tax and Uncertain Tax Positions

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and for income tax purposes. A deferred income tax asset is recognized if realization of such asset is more likely than not, based upon the weight of available evidence, which includes historical operating performance and the Company's forecast of future operating performance. The Company evaluates the realizability of its deferred income tax asset on a quarterly basis, and a valuation allowance is provided, as necessary, in accordance with the provisions of SFAS No. 109, "Accounting for Income Taxes". During this evaluation, the Company reviews its forecasts of income in conjunction with the positive and negative evidence surrounding the realizability of its deferred income tax asset to determine if a valuation allowance is needed. As a result of this realizability evaluation for fiscal 2009, the Company increased its deferred tax asset valuation allowance by \$16.4 million.

FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" (FIN 48), which was adopted by the Company in fiscal 2008, defines the threshold for recognizing the benefits of tax return positions in the financial statements as "more-likely-than-not" to be sustained by the taxing authorities. FIN 48 provides guidance on de-recognition, measurement and classification of income tax uncertainties, along with any related interest and penalties. FIN 48 also includes guidance concerning accounting for income tax uncertainties in interim periods and increases the level of disclosures associated with any recorded income tax uncertainties. At February 28, 2009, the Company had unrecognized tax benefits of \$6,449,000 which, if recognized, would impact the effective tax rate on income (loss) from continuing operations.

At February 28, 2009, the Company had a net deferred income tax asset balance of \$16.6 million. The current portion of this deferred tax asset is \$3.5 million and the noncurrent portion is \$13.1 million. The net deferred income tax asset balance is comprised of a gross deferred tax asset of \$34.8 million and a valuation allowance of \$18.2 million.

Impairment Assessments of Goodwill, Purchased Intangible Assets and Other Long-Lived Assets

At February 28, 2009, the Company had \$6.5 million in other intangible assets on its consolidated balance sheet. The Company believes the estimate of its valuation of long-lived assets and goodwill is a "critical accounting estimate" because if circumstances arose that led to a decrease in the valuation it could have a material impact on the Company's results of operations.

The Company makes judgments about the recoverability of non-goodwill intangible assets and other long-lived assets whenever events or changes in circumstances indicate that an impairment in the remaining value of the assets recorded on the balance sheet may exist. The Company tests the impairment of goodwill annually and, in certain situations, on an interim basis if indicators of impairment arise. Goodwill of the Satellite and Wireless DataCom business segments is tested annually for impairment as of December 31. If an event occurs or

circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value, goodwill would be evaluated for impairment between annual tests. Management believes that the Company has appropriate processes in place to monitor for interim triggering events.

In order to estimate the fair value of long-lived assets, the Company typically makes various assumptions about the future prospects for the business that the asset relates to, considers market factors specific to that business and estimates future cash flows to be generated by that business. These assumptions and estimates are necessarily subjective and based on management's best estimates based on the information available at the time such estimates are made. Based on these assumptions and estimates, the Company determines whether it needs to record an impairment charge to reduce the value of the asset stated on the balance sheet to reflect its estimated fair value. Assumptions and estimates about future values and remaining useful lives are complex and often subjective. They can be affected by a variety of factors, including external factors such as industry and economic trends, and internal factors such as changes in the Company's business strategy and its internal forecasts. Although management believes the assumptions and estimates that have been made in the past have been reasonable and appropriate, different assumptions and estimates could materially impact the Company's reported financial results. More conservative assumptions of the anticipated future benefits from these businesses could result in impairment charges in the statement of operations, and lower asset values on the balance sheet. Conversely, less conservative assumptions could result in smaller or no impairment charges. The fair values were determined using discounted cash flow (DCF) analyses of financial projections for each reporting unit.

The annual impairment tests conducted as of December 31, 2008 and 2007 resulted in total impairment charges in fiscal 2009 and 2008 of \$43.6 million and \$71.3 million, respectively. See Note 5 to the accompanying consolidated financial statements for details.

Investment in Preferred Stock of a Private Company

An investment in preferred stock of a privately held company is included in non-current Other Assets in the consolidated balance sheets and is accounted for under the cost method of accounting because the Company does not have the ability to exercise significant influence over the issuer's operations. The originally ascribed carrying value of \$3.1 million for this preferred stock, which was received as partial consideration for the sale of the TelAlert software business in August 2007, was determined using the Black-Scholes Option Pricing Model, in which the preferred stock is treated as a series of call options on the entity's enterprise value. Under the cost method of accounting, this investment is carried at cost and is only adjusted for other-than-temporary declines in fair value and distributions of earnings. Management periodically evaluates the recoverability of this preferred stock investment based on the performance and the financial position of the issuer as well as other evidence of market value. Such evaluations include, but are not limited to, reviewing the investee's cash position, recent financings, projected and historical financial performance, cash flow forecasts and financing requirements. As of February 28, 2009, the estimated fair value of the preferred stock was \$2.0 million. The Company concluded that this decline in fair value was not temporary and accordingly recorded an impairment loss of \$1.1 million.

Stock-Based Compensation Expense

The FASB issued Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123R"), which requires companies to measure all employee stock-based compensation awards using a fair value method and record such expense in their financial statements. The Company adopted SFAS 123R at the beginning of fiscal 2007. Accordingly, the Company measures stock-based compensation expense at the grant date, based on the fair value of the award, and recognizes the expense over the employee's requisite service (vesting) period using the straight-line method. The measurement of stock-based compensation expense is based on several criteria including, but not limited to, the valuation model used and associated input factors, such as expected term of the award, stock price volatility, risk free interest rate and forfeiture rate. Certain of these inputs are subjective to some degree and are determined based in part on management's judgment. The Company recognizes the compensation expense on a straight-line basis for its graded-vesting awards. SFAS 123R requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures

differ from those estimates. However, the cumulative compensation expense recognized at any point in time must at least equal the portion of the grant-date fair value of the award that is vested at that date. As used in this context, the term “forfeitures” is distinct from “cancellations” or “expirations”, and refers only to the unvested portion of the surrendered equity awards.

Revenue Recognition

The Company recognizes revenue from product sales when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable and collection of the sales price is reasonably assured. In cases where terms of sale include subjective customer acceptance criteria, revenue is deferred until the acceptance criteria are met. Critical judgments made by management related to revenue recognition include the determination of whether or not customer acceptance criteria are perfunctory or inconsequential. The determination of whether or not the customer acceptance terms are perfunctory or inconsequential impacts the amount and timing of revenue recognized. Critical judgments also include estimates of warranty reserves, which are established based on historical experience and knowledge of the product.

Products sold in connection with service contracts are recorded as deferred revenues and the associated product costs are recorded as deferred costs. These deferred amounts are recognized over the life of the service contract on a straight-line basis.

The Company also undertakes projects that include the design, development and manufacture of public safety communication systems that are specially customized to customers’ specifications or that involve fixed site construction. Sales under such contracts are recorded under the percentage-of-completion method in accordance with Statement of Position No. 81-1 “Accounting for Performance of Construction-Type and Certain Production-Type Contracts.” Costs and estimated revenues are recorded as work is performed based on the percentage that incurred costs bear to estimated total costs utilizing the most recent estimates of costs. If the current contract estimate indicates a loss, provision is made for the total anticipated loss in the current period. Critical estimates made by management related to revenue recognition under the percentage-of-completion method include the estimation of costs at completion and the determination of the overall margin rate on the specific project.

Results of Operations, Fiscal Years 2007 Through 2009

The following table sets forth, for the periods indicated, the percentage of revenues represented by items included in the Company's consolidated statements of operations:

	Year Ended February 28,		
	2009	2008	2007
Revenues	100.0%	100.0%	100.0%
Cost of revenues	61.3	86.9	78.5
Gross profit	<u>38.7</u>	<u>13.1</u>	<u>21.5</u>
Operating expenses:			
Research and development	13.1	11.1	6.2
Selling	9.1	7.5	3.2
General and administrative	12.2	10.6	4.7
Intangible asset amortization	4.5	4.6	1.6
Write-off of acquired in-process research and development	—	0.2	3.2
Impairment loss	<u>45.5</u>	<u>50.6</u>	<u>—</u>
Operating income (loss)	(45.7)	(71.5)	2.6
Other income (expense), net	<u>(0.9)</u>	<u>(1.8)</u>	<u>0.3</u>
Income (loss) from continuing operations before income taxes	(46.6)	(73.3)	2.9
Income tax benefit (provision)	<u>(3.9)</u>	<u>14.9</u>	<u>(2.2)</u>
Income (loss) from continuing operations	(50.5)	(58.4)	0.7
Loss from discontinued operations, net of tax	—	(0.4)	(15.4)
Loss on sale of discontinued operations, net of tax	—	(0.9)	—
Net loss	<u>(50.5%)</u>	<u>(59.7%)</u>	<u>(14.7%)</u>

The Company's revenue, gross profit and operating income (loss) by business segment for the last three years are as follows:

REVENUE BY SEGMENT

Segment	Year Ended February 28,					
	2009		2008		2007	
	\$000s	% of Total	\$000s	% of Total	\$000s	% of Total
Satellite	\$ 26,327	26.8%	\$ 50,490	35.8%	\$155,127	73.3%
Wireless DataCom	72,043	73.2%	90,417	64.2%	56,587	26.7%
Total	<u>\$ 98,370</u>	<u>100.0%</u>	<u>\$140,907</u>	<u>100.0%</u>	<u>\$211,714</u>	<u>100.0%</u>

GROSS PROFIT (LOSS) BY SEGMENT

Segment	Year Ended February 28,					
	2009		2008		2007	
	\$000s	% of Total	\$000s	% of Total	\$000s	% of Total
Satellite	\$ 10,254	26.9%	\$(14,808)	(80.1%)	\$23,402	51.5%
Wireless DataCom	27,872	73.1%	33,303	180.1%	22,033	48.5%
Total	<u>\$38,126</u>	<u>100.0%</u>	<u>\$ 18,495</u>	<u>100.0%</u>	<u>\$45,435</u>	<u>100.0%</u>

OPERATING INCOME (LOSS) BY SEGMENT

Segment	Year Ended February 28,					
	2009		2008		2007	
	\$000s	% of Total Revenue	\$000s	% of Total Revenue	\$000s	% of Total Revenue
Satellite	\$ 3,616	3.7%	\$ (63,924)	(45.4%)	\$17,317	8.2%
Wireless DataCom	(42,206)	(42.9%)	(30,473)	(21.6%)	(5,888)	(2.8%)
Corporate expenses	(6,394)	(6.5%)	(6,421)	(4.6%)	(5,853)	(2.8%)
Total	<u>\$(44,984)</u>	<u>(45.7%)</u>	<u>\$(100,818)</u>	<u>(71.6%)</u>	<u>\$ 5,576</u>	<u>2.6%</u>

Satellite segment's gross profit of \$10.3 million and operating income of \$3.6 million in fiscal 2009 includes a \$9 million gain recorded as a reduction of cost of revenues from a legal settlement with a supplier in January 2009. The operating income of \$3.6 million for that period also includes a goodwill impairment charge of \$2.3 million.

Wireless DataCom's operating loss of \$42.2 million in fiscal 2009 includes a total impairment charge of \$41.3 million.

Corporate expenses in fiscal 2009 include an impairment charge of \$1.1 million on an investment in preferred stock of a privately held company. This impairment was primarily attributable to the economic downturn, which adversely impacted the revenues and cash flows of this privately held company.

Satellite's negative gross profit of \$14.8 million and operating loss of \$63.9 million in fiscal 2008 includes a \$17.9 million charge for estimated expenses to correct a product performance issue involving key DBS customer, as further described in Note 11 to the accompanying consolidated financial statements. The operating loss of \$63.9 million for that period also includes a goodwill impairment charge of \$44.4 million.

Wireless DataCom's operating loss of \$30.5 million in fiscal 2008 includes a goodwill impairment charge of \$26.9 million. The Wireless DataCom segment operating loss of \$5.9 million in fiscal 2007 includes a charge of \$6.9 million to write off in-process research and development costs associated with the Dataradio acquisition.

Fiscal Year 2009 compared to Fiscal Year 2008

Revenue

Satellite revenue declined \$24.1 million, or 48%, to \$26.3 million in fiscal 2009 from \$50.5 million in fiscal 2008. Sales to the Company's historically largest DBS customer declined by \$0.5 million from \$15.9 million in fiscal 2008 to \$15.4 million in fiscal 2009. Also, sales to the Company's other DBS customer declined from

\$33.7 million in fiscal 2008 to \$10.2 million in fiscal 2009 primarily due to a reduction of orders caused by pricing and competitive pressures, and the time period involved in getting the next generation product qualified with this customer. The Company does not expect to begin shipping this next generation product until late in fiscal 2010. Although the Company expects that its Satellite revenue will increase in fiscal 2010 compared to fiscal 2009, in the foreseeable future it does not expect its Satellite revenue to fully return to pre-fiscal 2008 levels as a result of macroeconomic and competitive factors.

Wireless DataCom revenue decreased by \$18.4 million, or 20%, to \$72.0 million in fiscal 2009 from \$90.4 million in fiscal 2008. More than half of the decrease was due to a decline in sales of radio modules to a key Wireless DataCom customer due to the demand volatility for that customer's radio products from government agencies. The remainder of the decrease was due to lower revenues of the Wireless DataCom businesses attributable to the economic downturn, which has caused both commercial and governmental customers to defer buying decisions.

Gross Profit (Loss) and Gross Margins

Satellite had gross profit of \$10.3 million in fiscal 2009, compared with a negative gross profit of \$14.8 million in fiscal 2008. Satellite's negative gross profit of \$14.8 million in fiscal 2008 includes a \$17.9 million charge for estimated expenses to correct a product performance issue involving a key DBS customer. The gross profit in fiscal 2009 was benefited by (i) a \$9.0 million gain from a legal settlement with a supplier that was recorded as reduction of cost of revenues; (ii) \$0.6 million associated with the sale of Satellite products for which the inventory cost had been fully reserved in the prior fiscal year; and (iii) a reduction of \$1.1 million in estimated costs to correct a product performance issue.

Wireless DataCom gross profit decreased by \$5.4 million to \$27.9 million in fiscal 2009 from \$33.3 million in fiscal 2008, due mainly to the 20% decrease in revenues. Wireless DataCom's gross margin increased by 1.9% from 36.8% in fiscal 2008 to 38.7% in fiscal 2009. This margin improvement was due primarily to a \$1.5 million patent sale in the first quarter of fiscal 2009 for which the cost of revenues was zero. Excluding the patent sale, Wireless DataCom's gross margin was 37.4% in fiscal 2009.

See also Note 13 to the accompanying unaudited consolidated financial statements for additional operating data by business segment.

Operating Expenses

Consolidated research and development ("R&D") expense decreased by \$2.8 million to \$12.9 million in fiscal 2009 from \$15.7 million in fiscal 2008. These decreases are primarily due to personnel reductions in the Public Safety Mobile ("PSM") business of the Wireless DataCom segment.

Consolidated selling expenses decreased by \$1.7 million from \$10.7 million in fiscal 2008 to \$9.0 million in fiscal 2009, primarily due to bad debt reserve reductions of \$927,000 related to a Wireless DataCom customer.

Consolidated general and administrative expenses ("G&A") decreased by \$2.9 million from \$15.0 million in fiscal 2008 to \$12.1 million in fiscal 2009. The decrease is primarily the result of a reduction of approximately \$1.4 million in G&A of the PSM business, which included Smartlink integration costs of approximately \$721,000 in fiscal 2008 that were not present in fiscal 2009, and lower stock-based compensation expense of \$756,000. The reduction in stock-based compensation expense included in G&A is primarily attributable to the forfeiture of unvested stock options upon the resignation of the Company's former President and Chief Executive Officer in March 2008. Partially offsetting the effect of the lower stock-based compensation expense and the nonrecurring Smartlink integration costs in fiscal 2008 was a \$303,000 charge for severance costs of the Company's former Satellite president in the second quarter of fiscal 2009.

Amortization of intangibles decreased from \$6.4 million in fiscal 2008 to \$4.4 million in fiscal 2009. These decreases were primarily attributable to the contracts backlog intangible assets arising from the May 2006 acquisitions of Dataradio and the Technocom MRM product line that became fully amortized during the first quarter of fiscal 2008.

The in-process research and development (“IPRD”) write-off of \$310,000 for fiscal 2008 was related to the acquisition of SmartLink in April 2007.

Non-operating Expense, Net

Non-operating expense was \$1.0 million for fiscal 2009, compared to \$2.5 million for fiscal 2008. The \$1.5 million decrease was primarily due to (i) a foreign currency gain of \$177,000 in fiscal 2009 compared to a \$694,000 foreign currency loss in fiscal 2008; and (ii) a decrease in net interest expense of \$812,000 because of lower debt in fiscal 2009 and because the banks waived previously assessed fees and interest charges of approximately \$204,000 in January 2009. This effect was partially offset by a gain of \$330,000 on the sale of an investment that was recorded in fiscal 2008.

Income Tax Provision

Income tax expense allocated to loss from continuing operations for the year ended February 28, 2009 was \$3.7 million. The effective income tax rate in fiscal 2009 was less than the statutory rate of approximately 41% because (i) no tax benefit has been provided on the U.S. pretax loss (which included portions of goodwill and intangibles impairment charges that are tax deductible); (ii) no tax benefit has been provided on the pretax loss generated by the Company’s Canadian subsidiary; and (iii) the valuation allowance for deferred tax assets was increased by \$16.4 million in fiscal 2009.

Fiscal Year 2008 compared to Fiscal Year 2007

Revenue

Satellite segment revenue declined \$104.6 million, or 67%, to \$50.5 million for fiscal 2008 from \$155.1 million for fiscal 2007. This decline was primarily attributable to the action taken by the Company’s historically largest DBS customer to put on hold all orders with the Company, including orders for newer generation products, pending a requalification of all products manufactured by CalAmp for this customer and a review of production processes. Revenues from this customer in fiscal 2008 were \$92 million lower than in fiscal 2007. The Company reached a settlement agreement with this customer in December 2007 as further described in Note 11 to the accompanying consolidated financial statements. The Company resumed shipments to this customer in May 2008.

Wireless DataCom segment revenue increased by \$33.8 million, or 60%, to \$90.4 million for fiscal 2008 compared to fiscal 2007 due to: (i) an \$8.8 million increase in sales of radio modules to a Wireless DataCom customer in support of that customer’s contract with the U.S. Department of Defense; (ii) the acquisition of Aercept in March 2007, which contributed revenue of \$12.4 million in fiscal 2008; and the fact that the operations of Dataradio and the Technocom MRM business were included for all 52 weeks of fiscal 2008 versus only 40 weeks of fiscal 2007.

Gross Profit and Gross Margins

The Satellite segment had negative gross profit of \$(14.8) million for fiscal 2008 compared with a gross profit of \$23.4 for fiscal 2007. The decline in gross profit is primarily attributable to the \$17.9 million charge for estimated expenses to correct a product performance issue with a key DBS customer and the \$104.6 million decline in revenue in fiscal 2008 compared to fiscal 2007.

Gross profit of the Wireless DataCom segment increased 51% to \$33.3 million for fiscal 2008 compared to \$22.0 million in fiscal 2007, which is commensurate with the 60% revenue increase of this segment. Wireless DataCom's gross margin decreased from 38.9% for fiscal 2007 to 36.8% for fiscal 2008 due to a change in product mix, primarily due to the acquisition at the beginning of fiscal 2008 of Aercept, which was operating at lower gross margins than the other businesses within the Wireless DataCom businesses.

See also Note 13 to the accompanying consolidated financial statements for additional operating data by business segment.

Operating Expenses

Consolidated R&D expense increased by \$2.7 million to \$15.7 million for fiscal 2008 from \$13.0 million in fiscal 2007, primarily from higher R&D expenses of Dataradio. Dataradio's R&D expense accounted for \$3.4 million of the increase, offset by a reduction in R&D expense associated with the Company's Satellite segment and the Wireless DataCom's OEM business. Dataradio was included for all 52 weeks of the fiscal 2008 period and only 40 weeks of the fiscal 2007 period.

Consolidated selling expenses increased by \$3.9 million to \$10.6 million for fiscal 2008 from \$6.8 million in fiscal 2007. This increase is primarily due to higher selling expenses of Dataradio and Aercept, which accounted for \$2.4 million and \$1.2 million of the increase, respectively. As noted above, Dataradio was included for all 52 weeks of the fiscal 2008 period versus only 40 weeks of the fiscal 2007 period, and Aercept was acquired in March 2007.

Consolidated G&A expenses increased by \$5.2 million for fiscal 2008, which increase is primarily due to the acquisitions of Dataradio in May 2006, Aercept in March 2007 and SmartLink in April 2007, which collectively accounted for increased G&A of \$3.4 million for fiscal 2008 compared to the prior year.

Amortization of intangibles increased from \$3.5 million for fiscal 2007 to \$6.4 million for fiscal 2008. The increase was primarily attributable to the acquisitions of Aercept and SmartLink.

The IPR&D write-off declined from \$6.9 million for fiscal 2007 to \$310,000 for fiscal 2008. The fiscal 2007 IPR&D write-off was related to the acquisition of Dataradio, while the fiscal 2008 IPR&D write-off was related to the acquisition of SmartLink. The IPR&D of \$6.9 million in fiscal 2007 is further described in Note 2 to the accompanying consolidated financial statements.

Operating Loss

The operating loss for fiscal 2008 was \$100.8 million, compared to operating income of \$5.6 million for fiscal 2007. The operating loss in fiscal 2008 is attributable to the impairment charge of \$71.3 million, the \$17.9 million charge for the DBS product performance issue noted above, and the reduction in gross profit due to the \$92 million decline in revenues from a key DBS customer.

Non-Operating Income (Expense), Net

Non-operating expense for fiscal 2008 was \$2,472,000, compared to non-operating income of \$591,000 for fiscal 2007. The change was primarily due to (i) an increase in net interest expense of \$1,450,000 because of lower invested cash and higher debt in fiscal 2008; (ii) \$694,000 in foreign currency loss in fiscal 2008 compared to a \$362,000 gain in fiscal 2007; and (iii) a gain of \$689,000 in fiscal 2007 on currency hedging activities in connection with the Dataradio acquisition, for which the purchase price was denominated in Canadian dollars.

Income Tax Provision

Income tax benefit allocated to loss from continuing operations for the year ended February 28, 2008 was \$20,940,000. Income tax expense allocated to income from continuing operations for the year ended February 28, 2007 was \$4,716,000. Income tax expense allocated to income from discontinued operations for the year ended

February 28, 2008 was \$2,431,000. Income tax benefit allocated to loss from discontinued operations for the year ended February 28, 2007 was \$1,935,000. The effective income tax rate on income (loss) from continuing operations was 20% and 76% in the years ended February 28, 2008 and 2007, respectively. The effective income tax rate in fiscal 2008 of 20% was impacted by nondeductible goodwill of \$49.4 million while the 76% in fiscal 2007 was impacted by IPR&D expense of \$6.9 million.

Liquidity and Capital Resources

The Company's primary sources of liquidity are its cash and cash equivalents, which amounted to \$6,913,000 at February 28, 2009. During fiscal year 2009, cash and cash equivalents increased by \$325,000. Cash provided by operating activities was \$13,760,000, of which \$9,000,000 relates to the gain from the Rogers legal settlement. Operating cash flow was substantially offset by debt repayments of \$11,452,000, net cash used in investing activities of \$1,441,000, and the effect of exchange rate changes on cash of \$542,000.

Cash was provided by a decrease in operating working capital during fiscal 2009 in the aggregate amount of \$7,499,000, comprised of a decrease of \$6,288,000 in accounts receivable, a decrease of \$9,442,000 in inventories and a decrease of \$2,679,000 in prepaid expenses and other assets, partially offset by decreases in accounts payable, accrued liabilities and deferred revenue of \$5,453,000, \$5,061,000 and \$396,000, respectively.

When the turbulence in the U.S. Economy began in September 2008, the Company was still in the early stages of regaining the sales volume with its historically largest customer that had been abruptly curtailed in May 2007 due to a product performance issue. The economic downturn, which soon spread around the world, slowed the pace of regaining the lost Satellite business and also adversely impacted the Company's Wireless DataCom revenues as customers postponed capital spending. In response to the downturn in revenues, the Company has recently taken action to reduce its costs and expenses by over \$6 million on an annualized basis. In addition, the Company has raised cash by selling patents that are not essential to its current business operations and may sell additional patents in the future. The Company received \$9 million cash in a legal settlement with Rogers Corporation in January 2009, of which \$6.2 million was applied to reduce the bank term loan balance. The Company also reduced its level of capital expenditures in fiscal 2009, which was about \$500,000 lower than the prior year. Through these and other actions, the Company believes that it will have adequate resources to continue operating its business in the normal course for at least the next 12 months.

The Company believes that inflation and foreign currency exchange rates did not have a material effect on its operations in fiscal 2009.

In May 2006, the Company entered into a Credit Agreement (the "Credit Agreement") with Bank of Montreal (BMO), as administrative agent, and the other financial institutions that from time to time may become parties to the Credit Agreement (collectively, the "Banks"). Borrowings are secured by substantially all of the assets of CalAmp Corp. and its domestic subsidiaries. At the Company's option, borrowings under the Credit Agreement bear interest at BMO's prime rate ("Prime Based Loans") plus a margin ranging from 2.50% to 2.75% (the "Prime Rate Margin") or LIBOR ("LIBOR Based Loans") plus a margin ranging from 3.25% to 3.75% (the "LIBOR Margin"). The Prime Rate Margin and the LIBOR Margin vary depending on the Company's ratio of debt to earnings before interest, taxes, depreciation, amortization and other noncash charges (the "Leverage Ratio"). Interest is payable on the last day of the calendar quarter for Prime Based Loans and at the end of the fixed-rate LIBOR period (ranging from 1 to 12 months) in the case of LIBOR Based Loans. At February 28, 2009, the effective interest rate on the bank term loan was 4.23% comprised of a one-month LIBOR rate of 0.48% plus the LIBOR Margin of 3.75%.

The Credit Agreement also provides for a working capital line of credit of \$3,375,000. At February 28, 2009, \$1,725,000 of the working capital line of credit was reserved for outstanding irrevocable stand-by letters of credit and \$1,650,000 was available for working capital borrowings. Outstanding amounts under the revolver would bear interest at BMO's prime rate plus 4% or LIBOR plus 5%. There were no outstanding borrowings on the revolver at February 28, 2009.

A principal payment of \$1,250,000 was made on March 31, 2009, and principal payments of \$1,600,000 are due on both June 30, 2009 and September 30, 2009. The Company is also required to make mandatory prepayments under the credit facility in certain circumstances, including following the Company's incurrence of certain indebtedness, disposition of its property or extraordinary income.

The Credit Agreement has a maturity date of December 31, 2009, at which time all outstanding borrowings are due and payable. In the event all outstanding obligations under the Credit Agreement are not paid in full by June 30, 2009, an additional fee of \$150,000 will be due and payable to the Banks on December 31, 2009. The Credit Agreement also includes customary affirmative and negative covenants including, without limitation, negative covenants regarding additional indebtedness, investments, maintenance of the business, liens, guaranties, transfers and sales of assets, and the payment of dividends and other restricted payments.

On February 13, 2009, the Company entered into the Seventh Amendment and Consent to the Credit Agreement (the "Seventh Amendment"), pursuant to which the Banks agreed to make certain changes to the financial covenants. The Banks also consented to the EchoStar Note Amendment as described below, and the Company agreed to make additional principal payments on the bank term loan of \$7.50 per unit for the first 120,000 units sold to EchoStar beginning in January 2009 of the product that has the higher subordinated note payment under the EchoStar Note Amendment.

On May 1, 2009, the Company entered into the Eighth Amendment and Consent to the Credit Agreement (the "Eighth Amendment"), pursuant to which the Banks waived certain financial covenant violations and agreed to change the minimum levels of consolidated earnings before interest, taxes, depreciation and amortization (EBITDA) and Wireless DataCom revenues required by the financial covenants for the remaining term of the Credit Agreement.

As noted above, the Company's Credit Agreement with the Banks has a maturity date of December 31, 2009. Prior to maturity the Company believes that it will be able to refinance the outstanding borrowings under the Credit Agreement with an asset-based loan, possibly supplemented by proceeds from another funding source. The Company believes that it will be able to obtain an asset based loan to pay off the term loan prior to its maturity date because after giving effect to the next two quarterly term loan principal payments, the balance on that loan is projected to be less than the Company's estimated borrowing capacity against receivables and inventories. Although the Company believes that its expectations are reasonable, in light of the Company's recent history of operating losses, economic conditions generally, and the turbulent state of the credit markets at the present time, no assurance can be given that the Company will be able to refinance the outstanding borrowings under the Credit Agreement from other funding sources.

On December 14, 2007, the Company entered into a settlement agreement with a key DBS customer. Under the terms of the settlement agreement, the Company issued to the customer a \$5 million non-interest bearing promissory note that is payable at a rate of \$5.00 per unit on the first one million DBS units purchased by this customer after the date of the settlement agreement. The promissory note, which is subordinated to the outstanding indebtedness under CalAmp's bank credit facility, will be accelerated if the Company becomes insolvent, files for bankruptcy, or undergoes a change of control. On February 13, 2009, the Company entered into an amendment of the subordinated promissory note payable to EchoStar Technologies LLC (the "EchoStar Note Amendment"). Pursuant to the EchoStar Note Amendment, the Company agreed to increase the principal payments on the subordinated note from \$5.00 to \$20.00 per unit for sales to this customer of up to 120,000 units of a certain product during the period from January through May 2009. After the earlier of the purchase of 120,000 units of this certain product or May 31, 2009, the per unit note principal payment applicable to sales of this product will revert to \$5.00. The per unit note principal payment for all other products will remain at \$5.00. From January 2009 through May 7, 2009, the Company shipped 95,800 units of this product.

At February 28, 2009, the Company had a \$2.9 million reserve for accrued warranty costs and a \$1.2 million reserve to rework products in inventory in connection with the aforementioned DBS product performance issue. Also at that date the Company had a \$1.3 million reserve for vendor commitment liabilities related to this product performance issue. The Company believes that these reserves will be adequate to cover total future product rework costs under this settlement agreement and vendor commitment liabilities for materials not expected to be utilizable in the future. Substantially all of the cash impact of these reserves is anticipated to occur over the next 12 months.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Contractual Obligations

Following is a summary of the Company's contractual cash obligations as of February 28, 2009 (in thousands):

Contractual Obligations	Payments Due by Period				Total
	Less than 1 year	1-3 years	3-5 years	More than 5 years	
Bank debt	\$ 17,550	\$ —	\$ —	\$ —	\$ 17,550
Subordinated note payable	3,528	—	—	—	3,528
Operating leases	2,142	2,559	42	—	4,743
Purchase obligations	9,333	—	—	—	9,333
Total contractual cash obligations	\$ 32,553	\$ 2,559	\$ 42	\$ —	\$ 35,154

Purchase obligations consist of obligations under non-cancelable purchase orders, primarily for inventory purchases of raw materials, components and subassemblies.

New Authoritative Pronouncements

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." This statement defines fair value, establishes a framework for using fair value to measure assets and liabilities, and expands disclosures about fair value measurements. The statement applies whenever other statements require or permit assets or liabilities to be measured at fair value. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. However, in February 2008, the FASB issued FASB Staff Position (FSP) FAS 157-2 which delays the effective date of SFAS No. 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). This FSP partially defers the effective date of SFAS No. 157 to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years for items within the scope of this FSP. The Company is currently determining the effects, if any, that this pronouncement will have on its financial statements.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), "Business Combinations". SFAS No. 141(R) establishes principles and requirements for how an acquirer in a business combination recognizes and measures the assets acquired, liabilities assumed, and any noncontrolling interest in the acquiree. In the Company's case, this statement applies prospectively to business combinations after February 28, 2009.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Currency Risk

The Company operates internationally, giving rise to exposure to market risks from changes in foreign exchange rates. The Company's Canadian subsidiary uses the Canadian dollar, the local currency, as its functional currency. The cumulative foreign currency translation loss included in the other comprehensive income (loss) in stockholders' equity amounted to \$319,000 as of February 28, 2009.

Debt Risk

The Company has variable-rate bank debt. A fluctuation of one percent in interest rate would have an annual impact of approximately \$105,000 net of tax on the Company's consolidated statement of operations.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders
CalAmp Corp. and Subsidiaries

We have audited the accompanying consolidated balance sheet of CalAmp Corp. and subsidiaries as of February 28, 2009 and the related consolidated statements of operations, stockholders' equity and comprehensive loss, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CalAmp Corp. and subsidiaries as of February 28, 2009, and the results of their operations and their cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), CalAmp Corp. and subsidiaries' internal control over financial reporting as of February 28, 2009, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated May 11, 2009 expressed an unqualified opinion on the effectiveness of CalAmp Corp. and subsidiaries' internal control over financial reporting.

SINGERLEWAK LLP

/s/ SINGERLEWAK LLP

Los Angeles, California
May 11, 2009

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders
CalAmp Corp. and Subsidiaries

We have audited CalAmp Corp. and subsidiaries' (collectively, the "Company") internal control over financial reporting as of February 28, 2009, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (a) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (b) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (c) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of February 28, 2009, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of CalAmp Corp. and subsidiaries as of February 28, 2009 and the related consolidated statements of operations, stockholders' equity and comprehensive loss, and cash flows for the year then ended and our report dated May 11, 2009 expressed an unqualified opinion.

SINGERLEWAK LLP

/s/ SINGERLEWAK LLP

Los Angeles, California
May 11, 2009

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
CalAmp Corp.:

We have audited the accompanying consolidated balance sheet of CalAmp Corp. and subsidiaries as of February 28, 2008, and the related consolidated statements of operations, stockholders' equity and comprehensive loss, and cash flows for each of the years in the two-year period ended February 28, 2008. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CalAmp Corp. and subsidiaries as of February 28, 2008, and the results of their operations and their cash flows for each of the years in the two-year period ended February 28, 2008, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 7 to the consolidated financial statements, effective March 1, 2007, the Company adopted the provisions of Financial Accounting Standard Board Interpretation No. 48, "Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109".

KPMG LLP

Los Angeles, California
May 14, 2008

CALAMP CORP.
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT PAR VALUE)

	February 28,	
	2009	2008
Assets		
Current assets:		
Cash and cash equivalents	\$ 6,913	\$ 6,588
Accounts receivable, less allowance for doubtful accounts of \$552 and \$1,271 at February 28, 2009 and 2008, respectively	13,682	20,043
Inventories	15,139	25,097
Deferred income tax assets.	3,479	5,306
Prepaid expenses and other current assets	4,962	9,733
Total current assets	44,175	66,767
Property, equipment and improvements, net of accumulated depreciation and amortization	2,139	5,070
Deferred income tax assets, less current portion	13,111	14,802
Goodwill	—	28,520
Other intangible assets, net	6,473	24,424
Other assets	3,749	3,458
	\$ 69,647	\$143,041
Liabilities and Stockholders' Equity		
Current liabilities:		
Current portion of long-term debt	\$ 21,078	\$ 5,343
Accounts payable	5,422	10,875
Accrued payroll and employee benefits.	3,380	4,218
Accrued warranty costs	3,286	3,818
Other current liabilities.	8,683	11,800
Deferred revenue	3,609	4,005
Total current liabilities	45,458	40,059
Long-term debt, less current portion.	—	27,187
Other non-current liabilities	990	2,375
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$.01 par value; 3,000 shares authorized; no shares issued or outstanding	—	—
Common Stock, \$.01 par value; 40,000 shares authorized; 25,217 and 25,041 shares issued and outstanding at February 28, 2009 and 2008, respectively	252	250
Additional paid-in capital	144,881	144,318
Accumulated deficit	(120,814)	(71,149)
Accumulated other comprehensive income (loss)	(1,120)	1
Total stockholders' equity.	23,199	73,420
	\$ 69,647	\$143,041

See accompanying notes to consolidated financial statements.

CALAMP CORP.

**CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)**

	Year ended February 28,		
	2009	2008	2007
Revenues	\$ 98,370	\$ 140,907	\$211,714
Cost of revenues	60,244	122,412	166,279
Gross profit	38,126	18,495	45,435
Operating expenses:			
Research and development	12,899	15,710	12,989
Selling	8,959	10,633	6,765
General and administrative	12,087	14,966	9,792
Intangible asset amortization	4,429	6,418	3,463
Write-off of acquired in-process research and development	—	310	6,850
Impairment loss	44,736	71,276	—
Total operating expenses	83,110	119,313	39,859
Operating income (loss)	(44,984)	(100,818)	5,576
Non-operating income (expense):			
Interest expense, net	(1,091)	(1,903)	(453)
Other income (expense), net	180	(569)	1,044
Total non-operating income (expense)	(911)	(2,472)	591
Income (loss) from continuing operations before income taxes	(45,895)	(103,290)	6,167
Income tax benefit (provision)	(3,770)	20,940	(4,716)
Income (loss) from continuing operations	(49,665)	(82,350)	1,451
Loss from discontinued operations, net of tax	—	(597)	(32,639)
Loss on sale of discontinued operations, net of tax	—	(1,202)	—
Net loss	\$(49,665)	\$ (84,149)	\$ (31,188)
Basic earnings (loss) per share from:			
Continuing operations	\$ (2.01)	\$ (3.45)	\$ 0.06
Discontinued operations	—	(0.08)	(1.40)
Total basic loss per share	\$ (2.01)	\$ (3.53)	\$ (1.34)
Diluted earnings (loss) per share from:			
Continuing operations	\$ (2.01)	\$ (3.45)	\$ 0.06
Discontinued operations	—	(0.08)	(1.40)
Total diluted loss per share	\$ (2.01)	\$ (3.53)	\$ (1.34)
Shares used in computing basic and diluted earnings (loss) per share:			
Basic	24,765	23,881	23,353
Diluted	24,765	23,881	23,353

See accompanying notes to consolidated financial statements.

CALAMP CORP.

**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
AND COMPREHENSIVE INCOME (LOSS)
(IN THOUSANDS)**

	<u>Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>Common Stock Held in Escrow</u>	<u>Retained Earnings (Accumulated Deficit)</u>	<u>Accumulated Other Comprehensive Loss</u>	<u>Total Stockholders' Equity</u>
	<u>Shares</u>	<u>Amount</u>					
Balances at February 28, 2006.	23,204	\$ 232	\$135,022	\$(2,532)	\$ 44,188	\$ (801)	\$176,109
Net loss	—	—	—	—	(31,188)	—	(31,188)
Change in unrealized gain on available-for-sale investments	—	—	—	—	—	45	45
Foreign currency translation adjustments	—	—	—	—	—	(404)	(404)
Comprehensive loss							(31,547)
Sales of common stock held in escrow	—	—	—	2,532	—	—	2,532
Issuance of restricted Stock	20	—	—	—	—	—	—
Stock-based compensation expense	—	—	2,213	—	—	—	2,213
Exercise of stock options and warrants	373	4	1,393	—	—	—	1,397
Tax benefits from exercise of non-qualified stock options	—	—	568	—	—	—	568
Other	(2)	—	(21)	—	—	—	(21)
Balances at February 28, 2007.	23,595	236	139,175	—	13,000	(1,160)	151,251
Net loss	—	—	—	—	(84,149)	—	(84,149)
Change in unrealized gain on available-for-sale investments	—	—	—	—	—	(45)	(45)
Foreign currency translation adjustments	—	—	—	—	—	1,206	1,206
Comprehensive loss							(82,988)
Issuance of restricted stock, net of forfeitures	380	4	(4)	—	—	—	—
Stock-based compensation expense	—	—	2,238	—	—	—	2,238
Exercise of stock options and warrants	66	—	212	—	—	—	212
Issuance of stock and warrants	1,000	10	2,802	—	—	—	2,812
Other	—	—	(105)	—	—	—	(105)
Balances at February 28, 2008.	25,041	250	144,318	\$ —	(71,149)	1	73,420
Net loss	—	—	—	—	(49,665)	—	(49,665)
Foreign currency translation adjustments	—	—	—	—	—	(1,121)	(1,121)
Comprehensive loss							(50,786)
Issuance of restricted and bonus stock, net of forfeitures	166	2	(127)	—	—	—	(125)
Stock-based compensation expense	—	—	1,268	—	—	—	1,268
Exercise of stock options and warrants	10	—	(15)	—	—	—	(15)
Other	—	—	(563)	—	—	—	(563)
Balances at February 28, 2009.	<u>25,217</u>	<u>\$ 252</u>	<u>\$144,881</u>	<u>\$ —</u>	<u>\$(120,814)</u>	<u>\$ (1,120)</u>	<u>\$ 23,199</u>

See accompanying notes to consolidated financial statements.

CALAMP CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	<u>Year ended February 28,</u>		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	\$(49,665)	\$(84,149)	\$(31,188)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:			
Depreciation and amortization	6,549	9,681	6,920
Stock-based compensation expense	1,268	2,238	2,213
Write-off of in-process research and development	—	310	6,850
Impairment loss	44,736	71,276	29,848
Excess tax benefit from stock-based compensation	—	—	(496)
Deferred tax assets, net	3,373	(20,784)	1,485
Loss on sale of discontinued operations, net of tax	—	1,202	—
Gain of sale of investment	—	(331)	—
Other	—	(6)	85
Changes in operating assets and liabilities:			
Accounts receivable	6,288	18,700	(3,755)
Inventories	9,442	1,116	(2,059)
Prepaid expenses and other assets	2,679	2,629	(2,689)
Accounts payable	(5,453)	(16,807)	12,962
Accrued liabilities	(5,061)	13,795	(3,995)
Deferred revenue	(396)	(346)	542
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>13,760</u>	<u>(1,476)</u>	<u>16,723</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(831)	(1,359)	(2,828)
Proceeds from sale of property and equipment	—	7	16
Proceeds from sale of investment	—	1,045	—
Proceeds from sale of discontinued operations	465	4,420	—
Acquisition of Aercept	—	(19,318)	—
Acquisition of Smartlink	296	(7,845)	—
Acquisition of Dataradio net of cash acquired	—	—	(48,053)
Acquisition of TechnoCom product line	(1,183)	(985)	(2,486)
Proceeds from Vyteck escrow fund distribution	—	—	480
Other	(188)	—	(240)
NET CASH USED IN INVESTING ACTIVITIES	<u>(1,441)</u>	<u>(24,035)</u>	<u>(53,111)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from long-term debt	—	—	38,000
Debt repayments	(11,452)	(6,728)	(11,421)
Proceeds from exercise of stock options	—	213	1,397
Excess tax benefit from stock-based compensation	—	—	496
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>(11,452)</u>	<u>(6,515)</u>	<u>28,472</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH	<u>(542)</u>	<u>1,077</u>	<u>(330)</u>
Net change in cash and cash equivalents	325	(30,949)	(8,246)
Cash and cash equivalents at beginning of year	6,588	37,537	45,783
Cash and cash equivalents at end of year	<u>\$ 6,913</u>	<u>\$ 6,588</u>	<u>\$ 37,537</u>

See accompanying notes to consolidated financial statements.

CALAMP CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1—DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

CalAmp Corp. (“CalAmp” or the “Company”) is a provider of wireless communications solutions that enable anytime/anywhere access to critical data and content. CalAmp’s Wireless DataCom business services the public safety, utility, industrial monitoring and controls, and mobile resource management (“MRM”) markets. CalAmp’s Satellite business supplies outdoor customer premise equipment to the U.S. Direct Broadcast Satellite (“DBS”) market.

The Company has two reporting segments: the Satellite and the Wireless DataCom. The Satellite segment consists of the Company’s DBS business, and the Wireless DataCom segment consists of CalAmp’s legacy wireless businesses other than DBS and the businesses acquired as described in Note 2 - Acquisitions and Discontinued Operations below. The Solutions Division, the remaining operations of which were sold in August 2007, is presented as a discontinued operation in the accompanying consolidated statements of operations.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company (a Delaware corporation) and its wholly-owned subsidiaries. All significant intercompany transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Areas where significant judgments are made include, but are not necessarily limited to: allowance for doubtful accounts; inventory valuation; product warranties; deferred income tax asset valuation allowances; valuation of goodwill, purchased intangible assets and other long-lived assets; stock-based compensation; and revenue recognition.

Fiscal Year

The Company uses a 52-53 week fiscal year ending on the Saturday closest to February 28, which for fiscal years 2009, 2008 and 2007 fell on February 28, 2009, March 1, 2008, and March 3, 2007, respectively. In these consolidated financial statements, the fiscal year end for all years is shown as February 28 for clarity of presentation. Fiscal years 2009 and 2008 each consisted of 52 weeks, while fiscal year 2007 consisted of 53 weeks.

Revenue Recognition

The Company recognizes revenue from product sales when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable and collection of the sales price is reasonably assured. Generally, these criteria are met at the time product is shipped, except for shipments made on the basis of “FOB Destination” terms, in which case title transfers to the customer and the revenue is recorded by the Company when the shipment reaches the customer. Products sold in connection with service contracts are recorded as deferred revenues and the associated product costs are recorded as deferred costs. These deferred amounts are recognized over the life of the service contract on a straight-line basis. Customers do not have rights of return except for defective products returned during the warranty period.

CALAMP CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The Company also undertakes projects that include the design, development and manufacture of public safety communication systems that are specially customized to customers' specifications or that involve fixed site construction. Sales under such contracts are recorded under the percentage-of-completion method in accordance with Statement of Position No. 81-1 "Accounting for Performance of Construction-Type and Certain Production-Type Contracts." Costs and estimated revenues are recorded as work is performed based on the percentage that incurred costs bear to estimated total costs utilizing the most recent estimates of costs. If the current contract estimate indicates a loss, provision is made for the total anticipated loss in the current period.

Cash and Cash Equivalents

The Company considers all highly liquid investments with remaining maturities at date of purchase of three months or less to be cash equivalents.

Concentrations of Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash equivalents and trade receivables. The Company currently invests its excess cash in money market mutual funds and commercial paper. The Company had cash and cash equivalents in one U.S. bank in excess of federally insured amounts.

Because the Company sells into markets dominated by a few large service providers, a significant percentage of consolidated revenues and consolidated accounts receivable relate to a small number of customers. Revenues from customers that accounted for 10% or more of consolidated annual revenues in any one of the last three years, as a percent of consolidated revenues, are as follows:

<u>Customer</u>	<u>Year ended February 28,</u>		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
A.....	15.7%	10.9%	50.6%
B.....	10.3%	23.9%	18.9%
C.....	4.8%	14.2%	5.3%

Accounts receivable amounts at fiscal year-end from the customers referred to in the table above, expressed as a percent of consolidated net accounts receivable, are as follows:

<u>Customer</u>	<u>February 28,</u>	
	<u>2009</u>	<u>2008</u>
A.....	26.3%	5.1%
B.....	0.0%	26.6%
C.....	2.4%	9.0%

Some of our components, assemblies and electronic manufacturing services are purchased from sole source suppliers. One supplier, which functions as an independent foreign procurement agent, accounted for 23% and 22% of Company's total inventory purchases in fiscal 2009 and 2008, respectively. As of February 28, 2009, this supplier accounted for 14% of the Company's total accounts payable.

Allowance for Doubtful Accounts

The Company establishes an allowance for estimated bad debts based upon a review and evaluation of specific customer accounts identified as known and expected collection problems, based on historical experience, or due to insolvency, disputes or other collection issues.

CALAMP CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Inventories

Inventories include costs of materials, labor and manufacturing overhead. Inventories are stated at the lower of cost or net realizable value, with cost determined principally by the use of the first-in, first-out method.

Property, equipment and improvements

Property, equipment and improvements are stated at the lower of cost or fair value determined through periodic impairment analyses. The Company follows the policy of capitalizing expenditures that increase asset lives, and expensing ordinary maintenance and repairs as incurred. When assets are sold or disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is included in general and administrative expense.

Depreciation and amortization are based upon the estimated useful lives of the related assets using the straight-line method. Plant equipment and office equipment are depreciated over useful lives ranging from two to five years, while tooling is depreciated over 18 months. Leasehold improvements are amortized over the shorter of the lease term or the useful life of the improvements.

Operating Leases

Rent expense under operating leases is recognized on a straight-line basis over the lease term. The difference between the rent expense and the rent payment is recorded as an increase or decrease in deferred rent liability.

The Company accounts for tenant allowances in lease agreements as a deferred rent liability. The liability is then amortized on a straight-line basis over the lease term as a reduction of rent expense.

The Company's estimated rent commitment loss on the vacated offices of the discontinued Solutions Division is included in the deferred rent liability. The current and non-current portions of the deferred rent liability are included in other current liabilities and other non-current liabilities, respectively, in the accompanying consolidated balance sheets.

Goodwill and Other Intangible Assets

Goodwill represents the excess of purchase price and related costs over the value assigned to the net tangible assets and identifiable intangible assets of businesses acquired. As required under Statement of Financial Accounting Standards No. 142, "Accounting for Goodwill and Intangible Assets", goodwill is not amortized. Instead, goodwill is tested for impairment on an annual basis and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount.

The cost of definite-lived identified intangible assets is amortized over the assets' estimated useful lives ranging from one to seven years on a straight-line basis as no other discernable pattern of usage is more readily determinable.

Accounting for Long-Lived Assets Other Than Goodwill

The Company reviews property and equipment and other long-lived assets other than goodwill for impairment whenever events or changes in circumstances indicate that the carrying amounts of an asset may not be recoverable. Recoverability is measured by comparison of the asset's carrying amount to the undiscounted future net cash flows an asset is expected to generate. If a long-lived asset or group of assets is considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the asset or asset group exceeds the discounted future cash flows that are projected to be generated by the asset or asset group.

CALAMP CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Disclosures About Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate:

Cash and cash equivalents, accounts receivable and accounts payable - The carrying amount is a reasonable estimate of fair value given the short maturity of these instruments.

Long-term debt - The estimated fair value of the Company's variable-rate debt approximates the carrying value of such debt since the variable interest rates are market-based.

Warranty

The Company generally warrants its products against defects over periods ranging from 3 to 24 months. An accrual for estimated future costs relating to products returned under warranty is recorded as an expense when products are shipped. At the end of each quarter, the Company adjusts its liability for warranty claims based on its actual warranty claims experience as a percentage of revenues for the preceding three years and also considers the impact of the known operational issues that may have a greater impact than historical trends. See Note 10 for a table of annual increases in and reductions of the warranty liability for the last three years.

Deferred Income Taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and for income tax purposes. A deferred income tax asset is recognized if realization of such asset is more likely than not, based upon the weight of available evidence which includes historical operating performance and the Company's forecast of future operating performance. The Company evaluates the realizability of its deferred income tax assets and a valuation allowance is provided, as necessary, in accordance with the provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes". During this evaluation, the Company reviews its forecasts of income in conjunction with the positive and negative evidence surrounding the realizability of its deferred income tax assets to determine if a valuation allowance is needed.

FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" (FIN 48), which was adopted by the Company in fiscal 2008, defines the threshold for recognizing the benefits of tax return positions in the financial statements as "more-likely-than-not" to be sustained by the taxing authorities. FIN 48 provides guidance on de-recognition, measurement and classification of income tax uncertainties, along with any related interest and penalties. FIN 48 also includes guidance concerning accounting for income tax uncertainties in interim periods and increases the level of disclosures associated with any recorded income tax uncertainties. At February 28, 2009, the Company had unrecognized tax benefits of \$6,449,000 which, if recognized, would impact the effective tax rate on income from continuing operations.

Foreign Currency Translation and Accumulated Other Comprehensive Income (Loss) Account

The Company's French subsidiary uses the U.S. dollar as its functional currency. As a result of changing the functional currency of the Company's French subsidiary from the French franc to the U.S. dollar in 2002, the foreign currency translation loss of \$801,000 that is included in accumulated other comprehensive income (loss) will remain unchanged until such time as the French subsidiary ceases to be part of the Company's consolidated financial statements. No income tax expense or benefit has been allocated to this component of accumulated other comprehensive loss because the Company expects that undistributed earnings of this foreign subsidiary will be reinvested indefinitely.

CALAMP CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The Company's Canadian subsidiary uses the Canadian dollar, the local currency, as its functional currency. Its financial statements are translated into U.S. dollars using current or historical rates, as appropriate, with translation gains or losses included in the "Accumulated other comprehensive loss" account in the stockholders' equity section of the consolidated balance sheet. The cumulative foreign currency translation loss as of February 28, 2009 amounted to \$319,000.

The aggregate foreign transaction exchange gains (losses) included in determining income (loss) from continuing operations before income taxes were \$177,000, \$(694,000) and \$362,000 in fiscal 2009, 2008 and 2007, respectively.

Earnings Per Share

Basic earnings (loss) per share is computed by dividing net income (loss) available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share reflects the potential dilution, using the treasury stock method, that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the Company. In computing diluted earnings per share, the treasury stock method assumes that outstanding options are exercised and the proceeds are used to purchase common stock at the average market price during the period. Options will have a dilutive effect under the treasury stock method only when the Company reports net income and the average market price of the common stock during the period exceeds the exercise price of the options.

Accounting for Stock Options

Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards ("SFAS") No. 123 (revised 2004), "Share-Based Payment" ("SFAS No. 123R"), requires companies to measure all employee stock-based compensation awards using a fair value method and record such expense in their financial statements. The Company adopted SFAS No. 123R at the beginning of fiscal 2007. Accordingly, the Company measures stock-based compensation expense at the grant date, based on the fair value of the award, and recognizes the expense over the employee's requisite service (vesting) period using the straight-line method. The measurement of stock-based compensation expense is based on several criteria including, but not limited to, the valuation model used and associated input factors, such as expected term of the award, stock price volatility, risk free interest rate and forfeiture rate. Certain of these inputs are subjective to some degree and are determined based in part on management's judgment. The Company recognizes the compensation expense on a straight-line basis for its graded-vesting awards. SFAS 123R requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. However, the cumulative compensation expense recognized at any point in time must at least equal the portion of the grant-date fair value of the award that is vested at that date. As used in this context, the term "forfeitures" is distinct from "cancellations" or "expirations", and refers only to the unvested portion of the surrendered equity awards.

In the financial statements of periods prior to fiscal 2007, the Company presented all tax benefits of deductions resulting from the exercise of stock options as operating cash flows in the consolidated statements of cash flows. SFAS No. 123R requires the cash flows resulting from the benefits of tax deductions in excess of the compensation cost recognized for those options to be classified as financing cash flows. As a result of adopting SFAS No. 123R, \$496,000 of such excess tax benefits were classified as a financing cash inflow in the accompanying consolidated statement of cash flows for fiscal 2007.

CALAMP CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Other Current Liabilities

Other current liabilities consist of the following (in thousands):

	<u>February 28,</u>	
	<u>2009</u>	<u>2008</u>
Income taxes payable	\$5,218	\$ 3,803
Billings in excess of costs and earnings on uncompleted contracts	54	1,036
Other	3,411	6,961
	<u>\$8,683</u>	<u>\$ 11,800</u>

Recent Authoritative Pronouncements

In September 2006, the FASB issued SFAS No. 157, “Fair Value Measurements.” This statement defines fair value, establishes a framework for using fair value to measure assets and liabilities, and expands disclosures about fair value measurements. The statement applies whenever other statements require or permit assets or liabilities to be measured at fair value. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. However, in February 2008, the FASB issued FASB Staff Position (FSP) FAS 157-2 which delays the effective date of SFAS No. 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). This FSP partially defers the effective date of SFAS No. 157 to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years for items within the scope of this FSP. The Company is currently determining the effects, if any, this pronouncement will have on its financial statements.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), “Business Combinations”. SFAS No. 141(R) establishes principles and requirements for how an acquirer in a business combination recognizes and measures the assets acquired, liabilities assumed, and any noncontrolling interest in the acquiree. In the Company’s case, this statement applies prospectively to business combinations after February 28, 2009.

NOTE 2—ACQUISITIONS AND DISCONTINUED OPERATIONS

The Company acquired several businesses and product lines in the past three years that are now part of the Wireless DataCom segment. The more significant acquisitions are as follows:

Aercept Acquisition

On March 16, 2007, the Company acquired Aercept (formerly known as Aircept), a vehicle tracking business, from AirIQ Inc., a Canadian company, for cash consideration of \$19 million. The source of funds for the purchase price was the Company’s cash on hand. Aercept’s business involves the sale of Global Positioning Satellite (GPS) and cellular-based wireless asset tracking products and services to vehicle lenders that specialize in automobile financing for high credit risk individuals.

CALAMP CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The purchase price allocation for the Aercept acquisition is as follows (in thousands):

Purchase price paid in cash		\$19,000
Direct costs of acquisition		<u>318</u>
Total cost of acquisition		19,318
Fair value of net assets acquired:		
Current assets	\$ 3,992	
Property and equipment	275	
Other assets	55	
Intangible assets:		
Developed/core technology	\$4,970	
Customer lists	1,730	
Contracts backlog	530	
Covenants not to compete	<u>510</u>	
Total intangible assets	7,740	
Current liabilities	<u>(3,909)</u>	
Total fair value of net assets acquired		<u>8,153</u>
Goodwill		<u><u>\$11,165</u></u>

The Company paid a premium (i.e., goodwill) over the fair value of the net tangible and identified intangible assets acquired for the following reasons:

- Aercept was a market leader for this product and the associated services.
- Aercept offered an end-to-end solution comprised of hardware, hosted application software and wireless data services. This brought core competencies to CalAmp that can be leveraged across other businesses.

The goodwill arising from the Aercept acquisition is deductible for income tax purposes.

SmartLink Acquisition

On April 4, 2007, the Company acquired the business and substantially all the assets of SmartLink Radio Networks, a privately-held company, for cash consideration of \$7.9 million. The source of funds for the purchase price was the Company's cash on hand. SmartLink provides proprietary interoperable radio communications platforms and integration services for public safety and critical infrastructure applications. SmartLink's software defined switch provides interoperability with legacy analog wireless communications networks without the need to replace the installed base of land mobile radios. SmartLink's operations were integrated into CalAmp's Dataradio facilities in Montreal, Canada and Atlanta, Georgia.

CALAMP CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The purchase price allocation for the Smartlink acquisition is as follows (in thousands):

Purchase price paid in cash		\$7,900
Settlement from escrow		(100)
Direct costs of acquisition		<u>45</u>
Total cost of acquisition		7,845
Fair value of net assets acquired:		
Current assets	\$ 793	
Property and equipment	208	
Intangible assets:		
Developed/core technology	\$3,730	
Customer lists	910	
Contracts backlog	740	
In-process research and development (“IPR&D”)	<u>310</u>	
Total intangible assets		5,690
Current liabilities		<u>(1,866)</u>
Total fair value of net assets acquired		<u>4,825</u>
Goodwill		<u>\$3,020</u>

The Company paid a premium (i.e., goodwill) over the fair value of the net tangible and identified intangible assets acquired for the following reasons:

- SmartLink had a competitively positioned unique product for the large public safety mobile voice communications market.
- SmartLink’s public safety mobile voice products and systems were complementary to Dataradio’s public safety mobile data communications business.
- SmartLink’s products historically had relatively high gross margins.

The \$310,000 allocated to IPR&D in the preliminary purchase price allocation above was charged to expense immediately following the acquisition.

The goodwill arising from the SmartLink acquisition is deductible for income tax purposes.

Dataradio Acquisition

On May 26, 2006, the Company completed the acquisition of Dataradio Inc. (“Dataradio”), a privately held Canadian company. Under the terms of the acquisition agreement dated May 9, 2006, the Company acquired all capital stock of Dataradio for a cash payment of Canadian \$60.1 million, or U.S. \$54,291,000 at the effective Canadian Dollar (CAD \$) to U.S. Dollar exchange rate on May 26, 2006. This acquisition expanded the Company’s wireless data communications business for public safety and Machine-to-Machine (M2M) applications. It also furthered the Company’s strategic goals of diversifying its customer base and expanding its product offerings into higher-margin growth markets.

At the time of the acquisition Dataradio was focused in three primary business lines: wireless data systems for public safety and first response applications; wireless data modems for fixed location critical infrastructure and industrial applications; and design and manufacture of radio frequency modules. Dataradio now operates as the Public Safety and Industrial Monitoring and Controls businesses of the Company’s Wireless DataCom segment.

CALAMP CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The purchase price allocation for the Dataradio acquisition is as follows (in thousands):

Purchase price paid in cash	\$54,291
Direct costs of acquisition	474
	<hr/>
Total cost of acquisition	54,765
Fair value of net assets acquired:	
Current assets (including cash of \$6,711)	\$20,306
Property and equipment	927
Intangible assets:	
Developed/core technology	\$6,980
Customer relationships	3,750
Contracts backlog	1,480
Tradename	3,880
In-process research and development (“IPR&D”)	6,850
	<hr/>
Total intangible assets	22,940
Current liabilities	(8,749)
Deferred tax liabilities, net	(5,980)
Long-term liabilities	(317)
	<hr/>
Total fair value of net assets acquired	29,127
Goodwill at acquisition date	<u>\$25,638</u>

The Company paid a premium (i.e., goodwill) over the fair value of the net tangible and identified intangible assets acquired for a number of reasons, including the following:

- Dataradio was an established provider of radio frequency (“RF”) modems and systems for public safety and private network data applications.
- Dataradio had a history of profitable operations.
- The products of Dataradio had high gross margins.
- Dataradio had a diversified customer base.
- CalAmp gained access to Dataradio’s engineering resources.

The goodwill arising from the Dataradio acquisition is not deductible for income tax purposes.

The \$6,850,000 allocated to IPR&D in the purchase price allocation above was charged to expense following the acquisition. IPR&D consists of next generation products for fixed and mobile wireless applications. For purposes of valuing IPR&D, it was assumed that: (i) these products would be introduced in 2007; (ii) annual revenue in 2007 through 2011 would range between \$4.2 million and \$12.6 million for fixed wireless products, and between \$6.7 million and \$13.9 million for mobile wireless products; (iii) annual revenues from the fixed wireless products and mobile wireless products are allocated 75% and 80%, respectively, to IPR&D and 25% and 20%, respectively, to core technology; (iv) the gross margin percentage would range between 58% and 60% for fixed wireless products, and between 61% and 66% for mobile wireless products; and (v) the operating margin in years 2007 through 2011 is approximately 26% for fixed wireless products and 32% for mobile wireless products. The projected after-tax cash flows were then present valued using a discount rate of 25%.

CALAMP CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

TechnoCom Product Line Acquisition

On May 26, 2006, the Company acquired the business and certain assets of the MRM product line from TechnoCom Corporation (“TechnoCom”), a privately held company, pursuant to an Asset Purchase Agreement dated May 25, 2006 (the “Agreement”). This Technocom product line is used to help track fleets of cars and trucks. The acquisition of the Technocom product line was motivated primarily by the strategic goals of increasing the Company’s presence in markets that offer higher growth and profit margin potential and diversifying the Company’s business and customer base.

The Company acquired the business of the Technocom product line, its inventory, intellectual property and other intangible assets. No liabilities were assumed in the acquisition. Pursuant to the Agreement, the Company made an initial cash payment of \$2,439,000.

The purchase price allocation for the TechnoCom product line acquisition is as follows (in thousands):

Purchase price paid in cash	\$2,439
Direct costs of acquisition	47
	2,486
Total cost of acquisition	2,486
Fair value of net assets acquired:	
Inventories	\$ 290
Intangible assets:	
Developed/core technology	980
Customer relationships	810
Contracts backlog	310
Covenants not to compete	170
	2,560
Total fair value of net assets acquired	2,560
Negative goodwill at acquisition date	\$ (74)
	2,486

The Company also agreed to make an additional cash payment equal to the amount of net revenues attributable to the Technocom product line during the 12-month period following the acquisition that exceeds \$3,100,000 (the “Earn-out Payment”). The Earn-out Payment amounted to \$2.2 million, which increased the goodwill associated with the TechnoCom product line acquisition.

Discontinued Operations

The Company sold the TelAlert software business of the Solutions Division to a privately held company on August 9, 2007 for total consideration of \$9.4 million, consisting of \$4.0 million in cash, a non-interest bearing note with present value of \$2.3 million and preferred stock of the acquirer initially valued at \$3.1 million. As of February 28, 2009, the principal balance of the note amounting to \$1,635,000 is payable in 3 equal monthly installment of principal and interest of \$75,000 and a final principal and interest payment of \$1,550,000 on January 15, 2010.

The Company recognized a pre-tax gain of \$1.6 million on the sale of the TelAlert software business. The income tax expense attributable to the gain was \$2.8 million because at the time of sale there was goodwill of \$5.4 million associated with this business that is not deductible for income tax purposes.

CALAMP CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The TelAlert software business was the last remaining business of the Solutions Division. Accordingly, operating results for the Solutions Division have been presented in the accompanying consolidated statements of operations as a discontinued operation, and are summarized as follows (in thousands):

	Year ended February 28,	
	2008	2007
Revenues	\$ 1,691	\$ 9,135
Operating loss	\$ (996)	\$(32,928)
Loss from discontinued operations, net of tax	\$ (597)	\$(32,639)
Loss on sale of discontinued operations, net of tax	\$(1,202)	\$ —

The Solutions Division operating loss in fiscal 2007 includes the goodwill impairment charge of \$29,012,000 and intangible assets impairment charge of \$836,000.

NOTE 3—INVENTORIES

Inventories consist of the following (in thousands):

	February 28,	
	2009	2008
Raw materials	\$12,036	\$21,908
Work in process	164	325
Finished goods	2,939	2,864
	\$15,139	\$25,097

NOTE 4—PROPERTY, EQUIPMENT AND IMPROVEMENTS

Property, equipment and improvements consist of the following (in thousands):

	February 28,	
	2009	2008
Leasehold improvements	\$ 1,369	\$ 1,453
Plant equipment and tooling	12,091	18,218
Office equipment, computers and furniture	1,775	5,568
	15,235	25,239
Less accumulated depreciation and amortization	(13,096)	(20,169)
	\$ 2,139	\$ 5,070

In connection with the annual goodwill impairment test conducted as of December 31, 2008, the Company evaluated the carrying amount of its long-lived assets pursuant to the provisions of FAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". As result of this evaluation, the fair value of net fixed assets assigned to the Wireless DataCom business was determined to be less than the associated carrying amount by \$1,550,000. Net fixed assets were written down by reducing the cost basis and accumulated depreciation by \$8,925,000 and \$8,925,000, respectively, and an impairment loss of \$1,550,000 was recognized.

CALAMP CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

NOTE 5—GOODWILL AND OTHER INTANGIBLE ASSETS

Changes in goodwill of each reporting unit are as follows (in thousands):

	<u>Satellite</u>	<u>Wireless DataCom</u>	<u>Solutions</u>	<u>Total</u>
Balance as of February 28, 2006	\$ 45,467	\$ 12,318	\$ 33,601	\$ 91,386
Distribution of escrow shares as additional purchase price for the 2004 Vytek acquisition	1,052	—	1,000	2,052
Goodwill associated with Data-radio acquisition	—	25,638	—	25,638
Impairment writedown	—	—	(29,012)	(29,012)
Other changes	100	—	(163)	(63)
Balance as of February 28, 2007	<u>46,619</u>	<u>37,956</u>	<u>5,426</u>	<u>90,001</u>
Goodwill associated with Aercept acquisition	—	11,165	—	11,165
Goodwill associated with SmartLink acquisition	—	3,020	—	3,020
Goodwill associated with TechnoCom acquisition for earn-out payment	—	2,205	—	2,205
Adjustment of goodwill associated with Dataradio acquisition	—	(1,069)	—	(1,069)
Removal of goodwill associated with discontinued operations	—	—	(5,426)	(5,426)
Impairment writedown	(44,364)	(26,912)	—	(71,276)
Other changes	—	(100)	—	(100)
Balance as of February 28, 2008	<u>2,255</u>	<u>26,265</u>	<u>—</u>	<u>28,520</u>
Impairment writedown	(2,255)	(26,272)	—	(28,527)
Other changes	—	7	—	7
Balance as of February 28, 2009	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

The Solutions Division goodwill impairment test conducted as of April 30, 2006 resulted in an impairment of goodwill and other intangible assets in the aggregate amount of \$29,848,000. Such amount is included in the loss on discontinued operations, net of tax in the consolidated statement of operations for fiscal 2007. For the Solutions Division goodwill impairment test conducted as of April 30, 2007, the Company used a market approach to calculate the fair value of this business, which resulted in the determination that there was no impairment of the Solutions Division goodwill as of that date. The Company discontinued the operations of the Solutions Division during the second quarter of fiscal 2008, as further described in Note 2, with the remaining goodwill of \$5,426,000 included in the determination of the gain or loss on sale of the TelAlert business.

Impairment tests of goodwill associated with the Satellite segment and Wireless DataCom segment are conducted annually as of December 31 and, in certain situations, on an interim basis if indicators of impairment arise. If an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value, goodwill would be evaluated for impairment at an interim date between annual testing dates. In fiscal 2008, an interim goodwill impairment test was conducted as of November 30, 2007, which resulted in an impairment of goodwill of \$71,276,000.

The fiscal 2009 annual goodwill impairment test conducted as of December 31, 2008 resulted in impairments of goodwill, other intangible assets and fixed assets in the amounts of \$28,527,000, \$13,522,000 and \$1,550,000, respectively. The Company's market capitalization declined substantially in fiscal 2009 and as of December 31,

CALAMP CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

2008, it was significantly lower than the carrying value of the Company's consolidated net assets, which resulted in this aggregate impairment charge of \$43.6 million. The Company believes that the decline in its market capitalization was attributable to the uncertainties surrounding the interruption of its commercial relationship with a key DBS customer, the Company's recent history of operating losses, and the worldwide economic downturn.

The fair values were determined using discounted cash flow (DCF) analyses of financial projections for each reporting unit. The Satellite segment DCF reflected the reduced revenue from the key DBS customer, the Company's best estimate of forecasted revenues, profitability and cash flows over the next several years, and a market-based discount rate reflecting the perceived risk premium in the market.

Intangible assets are comprised as follows (in thousands):

	Amortization Period	February 28, 2009				February 28, 2008		
		Gross Carrying Amount	Impairment	Accum. Amortization	Net	Gross Carrying Amount	Accum. Amortization	Net
		Developed/core technology . . .	5-7 yrs.	\$ 18,583	\$ 7,974	\$ 7,663	\$2,946	\$18,583
Customer lists	5-7 yrs.	8,313	3,444	3,600	1,269	8,313	2,334	5,979
Contracts backlog	1 yr.	1,270	—	1,270	—	3,060	2,968	92
Covenants not to compete. . . .	4-5 yrs.	1,001	354	519	128	1,001	344	657
Tradename	Indefinite	3,880	1,750	—	2,130	3,880	—	3,880
		<u>\$33,047</u>	<u>\$13,522</u>	<u>\$13,052</u>	<u>\$6,473</u>	<u>\$34,837</u>	<u>\$10,413</u>	<u>\$24,424</u>

Amortization expense of intangible assets was \$4,429,000, \$6,418,000, and \$3,463,000 for the years ended February 28, 2009, 2008 and 2007, respectively. All intangible asset amortization expense is attributable to the Wireless DataCom segment.

Estimated amortization expense in future fiscal years is as follows:

Fiscal 2010	\$ 1,360,000
2011	\$ 1,125,000
2012	\$ 982,000
2013	\$ 724,000
2014	\$ 152,000

NOTE 6—FINANCING ARRANGEMENTS AND CONTRACTUAL CASH OBLIGATIONS

Long-term Debt

Long-term debt consists of the following (in thousands):

	February 28,	
	2009	2008
Bank term loan	\$ 17,550	\$27,530
Subordinated note payable to DBS customer	3,528	5,000
Total debt	21,078	32,530
Less portion due within one year	(21,078)	(5,343)
Long-term debt	<u>\$ —</u>	<u>\$27,187</u>

CALAMP CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

In May 2006, the Company entered into a Credit Agreement (the “Credit Agreement”) with Bank of Montreal (BMO), as administrative agent, and the other financial institutions that from time to time may become parties to the Credit Agreement (collectively, the “Banks”). Borrowings are secured by substantially all of the assets of CalAmp Corp. and its domestic subsidiaries. At the Company’s option, borrowings under the Credit Agreement bear interest at BMO’s prime rate (“Prime Based Loans”) plus a margin ranging from 2.50% to 2.75% (the “Prime Rate Margin”) or LIBOR (“LIBOR Based Loans”) plus a margin ranging from 3.25% to 3.75% (the “LIBOR Margin”). The Prime Rate Margin and the LIBOR Margin vary depending on the Company’s ratio of debt to earnings before interest, taxes, depreciation, amortization and other noncash charges (the “Leverage Ratio”). Interest is payable on the last day of the calendar quarter for Prime Based Loans and at the end of the fixed-rate LIBOR period (ranging from 1 to 12 months) in the case of LIBOR Based Loans. At February 28, 2009, the effective interest rate on the bank term loan was 4.23%, comprised of a one-month LIBOR rate of 0.48% plus the LIBOR Margin of 3.75%.

The Credit Agreement also provides for a working capital line of credit of \$3,375,000. At February 28, 2009, \$1,725,000 of the working capital line of credit was reserved for outstanding irrevocable stand-by letters of credit and \$1,650,000 was available for working capital borrowings. Outstanding amounts under the revolver would bear interest at BMO’s prime rate plus 4% or LIBOR plus 5%. There were no outstanding borrowings on the revolver at February 28, 2009.

A principal payment of \$1,250,000 was paid on March 31, 2009, and principal payments of \$1,600,000 are due on both June 30, 2009 and September 30, 2009. The Company is also required to make mandatory prepayments under the credit facility in certain circumstances, including following the Company’s incurrence of certain indebtedness, disposition of its property or extraordinary income.

The Credit Agreement has a maturity date of December 31, 2009, at which time all outstanding borrowings are due and payable. In the event all outstanding obligations under the Credit Agreement are not paid in full by June 30, 2009, an additional fee of \$150,000 will be due and payable to the Banks on December 31, 2009. On February 13, 2009, the Company entered into the Seventh Amendment and Consent to the Credit Agreement (the “Seventh Amendment”), pursuant to which the Banks agreed to make certain changes to the financial covenants. The Banks also consented to the EchoStar Note Amendment as described below, and the Company agreed to make additional principal payments on the bank term loan of \$7.50 per unit for the first 120,000 units sold to EchoStar beginning in January 2009 of the product that has the higher subordinated note payment under the EchoStar Note Amendment.

On May 1, 2009, the Company entered into the Eighth Amendment and Consent to the Credit Agreement (the “Eighth Amendment”), pursuant to which, the Banks waived certain financial covenant violations and agreed to change the minimum levels of consolidated earnings before interest, taxes, depreciation and amortization (EBITDA) and Wireless DataCom revenues required by the financial covenants for the remaining term of the Credit Agreement.

The Credit Agreement also includes customary affirmative and negative covenants including, without limitation, negative covenants regarding additional indebtedness, investments, maintenance of the business, liens, guaranties, transfers and sales of assets, and the payment of dividends and other restricted payments.

On December 14, 2007, the Company entered into a settlement agreement with a key DBS customer. Under the terms of the settlement agreement, the Company issued to the customer a \$5 million non-interest bearing promissory note that is payable at a rate of \$5.00 per unit on the first one million DBS units purchased by this customer after the date of the settlement agreement. The promissory note, which is subordinated to the outstanding indebtedness under CalAmp’s bank credit facility, will be accelerated if the Company becomes insolvent, files for bankruptcy, or undergoes a change of control. On February 13, 2009, the Company entered into an amendment

CALAMP CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

of the subordinated promissory note payable to EchoStar Technologies LLC (the “EchoStar Note Amendment”). Pursuant to the EchoStar Note Amendment, the Company agreed to increase the principal payments on the subordinated note from \$5.00 to \$20.00 per unit for sales to this customer of up to 120,000 units of a certain product during the period from January through May 2009. After the earlier of the purchase of 120,000 units of this certain product or May 31, 2009, the per unit note principal payment applicable to sales of this product will revert to \$5.00. The per unit note principal payment for all other products will remain at \$5.00. From January 2009 through May 7, 2009, the Company shipped 95,800 units of this product.

Other Non-Current Liabilities

Other non-current liabilities consist of the following (in thousands):

	February 28,	
	2009	2008
Accrued warranty costs	\$ —	\$1,051
Deferred rent	650	981
Deferred revenue	340	343
	\$ 990	\$2,375

Contractual Cash Obligations

Following is a summary of the Company’s contractual cash obligations as of February 28, 2009 (in thousands):

<u>Contractual Obligations</u>	Future Cash Payments Due by Fiscal Year					<u>There- after</u>	<u>Total</u>
	2010	2011	2012	2013	2014		
Bank debt	\$17,550	\$ —	\$ —	\$ —	\$ —	\$ —	\$17,550
Subordinated note payable	3,528	—	—	—	—	—	3,528
Operating leases	2,142	1,791	768	36	6	—	4,743
Purchase obligations	9,333	—	—	—	—	—	9,333
Total contractual cash obligations	\$32,553	\$1,791	\$ 768	\$ 36	\$ 6	\$ —	\$35,154

Purchase obligations consist of obligations under non-cancelable purchase orders, primarily for inventory purchases of raw materials, components and subassemblies.

Rent expense under operating leases was \$2,309,000, \$3,202,000, and \$2,545,000 for fiscal years 2009, 2008 and 2007, respectively.

NOTE 7—INCOME TAXES

The Company’s income (loss) from continuing operations before income taxes consists of the following (in thousands):

	Year ended February 28,		
	2009	2008	2007
Domestic	\$(43,940)	\$(100,427)	\$ 6,645
Foreign	(1,955)	(2,863)	(478)
	\$(45,895)	\$(103,290)	\$ 6,167

CALAMP CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The income tax provision (benefit) attributable to income (loss) from continuing operations consists of the following (in thousands):

	<u>Year ended February 28,</u>		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
Current:			
Federal	\$ —	\$ —	\$ 618
State	—	—	194
Foreign	<u>279</u>	<u>15</u>	<u>29</u>
Total current	<u>279</u>	<u>15</u>	<u>841</u>
Deferred:			
Federal	2,801	(15,972)	3,712
State	<u>690</u>	<u>(4,983)</u>	<u>(1,182)</u>
Total deferred	<u>3,491</u>	<u>(20,955)</u>	<u>2,530</u>
Charge in lieu of taxes attributable to tax benefit from stock options and warrants	<u>—</u>	<u>—</u>	<u>1,345</u>
	<u>\$3,770</u>	<u>\$(20,940)</u>	<u>\$ 4,716</u>

The income tax provision (benefit) was allocated as follows (in thousands):

	<u>Year ended February 28,</u>		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
Income (loss) from continuing operations	\$3,770	\$(20,940)	\$ 4,716
Income (loss) from discontinued operations	<u>—</u>	<u>2,431</u>	<u>(1,935)</u>
	<u>\$3,770</u>	<u>\$(18,509)</u>	<u>\$ 2,781</u>

Differences between the income tax provision (benefit) attributable to income (loss) from continuing operations and income taxes computed using the statutory U.S. federal income tax rate are as follows (in thousands):

	<u>Year ended February 28,</u>		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
Income tax at U.S. statutory federal rate of 35%	\$(16,063)	\$(36,152)	\$ 2,158
State income taxes, net of federal income tax effect	(1,793)	(2,708)	(55)
Foreign taxes	(64)	73	192
In-process research and development	—	—	2,398
Nondeductible goodwill	4,627	17,289	—
Valuation allowance	17,424	937	—
Other, net	<u>(361)</u>	<u>(379)</u>	<u>23</u>
	<u>\$ 3,770</u>	<u>\$(20,940)</u>	<u>\$ 4,716</u>

CALAMP CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The components of the net deferred income tax asset (liability) at February 28, 2009 and 2008 for U.S. income tax purposes are as follows (in thousands):

	February 28,	
	2009	2008
Depreciation, amortization and impairments	\$ 14,672	\$ 2,378
Net operating loss carryforwards	9,477	8,122
Research and development credits	3,572	2,794
Other tax credits	1,875	1,689
Warranty reserve	1,323	1,967
Stock-based compensation	1,166	1,498
Compensation and vacation accruals	729	893
Inventory reserve	815	1,675
Allowance for doubtful accounts	219	519
Other, net	972	407
	34,820	21,942
Valuation allowance	(18,230)	(1,834)
Net deferred tax asset	16,590	20,108
Less current portion	3,479	5,306
Non-current portion	\$ 13,111	\$14,802

The Company believes that it is more likely than not that the results of future operations will generate sufficient taxable income to realize the net deferred tax assets above.

At February 28, 2009, the Company had net operating loss carryforwards (“NOLs”) of approximately \$22.4 million and \$32.8 million for federal and state purposes, respectively, expiring at various dates through fiscal 2029.

As of February 28, 2009, the Company had foreign tax credit carryforwards of \$839,000 expiring at various dates through 2019 and research and development tax credit carryforwards of \$2.1 million and \$2.3 million for federal and state income tax purposes, respectively, expiring at various dates through 2029.

The Company also has deferred tax assets for Canadian income tax purposes of approximately \$2.5 million at February 28, 2009, which relate primarily to research and development tax credits for Canadian federal and Quebec provincial income taxes. The Company has recorded a 100% valuation allowance on the Canadian federal and Quebec provincial deferred tax assets reflecting the uncertainty regarding the future realization of these tax benefits.

The Company has not provided for U.S. federal income taxes on undistributed earnings of its foreign subsidiaries because such earnings are reinvested indefinitely in such subsidiaries. It is not practical to determine the U.S. federal income tax liability, if any, that would be payable if such earnings were not reinvested indefinitely.

CALAMP CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

FASB Interpretation No. 48, “Accounting for Uncertainty in Income Taxes” (“FIN 48”) defines the threshold for recognizing the benefits of tax return positions in the financial statements as “more-likely-than-not” to be sustained by the taxing authorities. FIN 48 provides guidance on the de-recognition, measurement and classification of income tax uncertainties, along with any related interest and penalties. The Company adopted FIN 48 at the beginning of the fiscal 2008 first quarter. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in thousands):

Balance at March 1, 2007	\$5,935
Decrease related to prior year position	(476)
Increase related to current year position	825
	<hr/>
Balance at February 28, 2008	6,284
Increase related to current year position	165
	<hr/>
Balance at February 28, 2009	<u>\$6,449</u>

The unrecognized tax benefits of \$6,449,000, if recognized, would impact the effective tax rate on income (loss) from continuing operations.

The Company files income tax returns in the U.S. federal jurisdiction, various states and foreign jurisdictions. Income tax returns filed for fiscal years 2000 and earlier are not subject to examination by U.S. federal and state tax authorities. Certain income tax returns for fiscal years 2001 through 2009 remain open to examination by U.S. federal and state tax authorities. The income tax returns filed by the Company’s French subsidiary for fiscal years 2004 through 2007 are currently being examined by the French tax authorities. Certain income tax returns for fiscal years 2006 through 2009 remain open to examination by Canada federal and Quebec provincial tax authorities. The Company believes that it has made adequate provision for all income tax uncertainties pertaining to these open tax years.

NOTE 8—STOCKHOLDERS’ EQUITY

Equity Awards

Effective July 30, 2004, the Company adopted the 2004 Incentive Stock Plan (the “2004 Plan”). Under the 2004 Plan, various types of equity awards can be made, including stock options, stock appreciation rights, restricted stock, restricted stock units (RSUs), phantom stock and bonus stock. To date, only stock options, restricted stock, RSUs and bonus stock have been granted under the 2004 Plan. Equity awards to officers and other employees become exercisable on a vesting schedule established by the Compensation Committee of the Board of Directors at the time of grant, usually over a four-year period. Options can no longer be granted under the Company’s 1999 Stock Option Plan and the 1989 Key Employee Stock Option Plan.

Options are granted with exercise prices equal to market value on the date of grant. Option grants expire 10 years after the date of grant. The Company treats an equity award with graded vesting as a single award for expense attribution purposes and recognizes compensation cost on a straight-line basis over the requisite service period of the entire award.

CALAMP CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table summarizes the stock option activity for fiscal years 2009, 2008 and 2007 (in thousands except dollar amounts):

	<u>Number of Options</u>	<u>Weighted Average Option Price</u>
Outstanding at February 28, 2006	2,623	\$10.09
Granted	667	12.23
Exercised	(341)	4.10
Forfeited or expired	(488)	15.99
	<hr/>	<hr/>
Outstanding at February 28, 2007	2,461	10.33
Granted	355	4.46
Exercised	(66)	3.24
Forfeited or expired	(368)	11.03
	<hr/>	<hr/>
Outstanding at February 28, 2008	2,382	9.54
Granted	578	2.42
Exercised	(50)	1.75
Forfeited or expired	(1,041)	8.36
	<hr/>	<hr/>
Outstanding at February 28, 2009	1,869	\$ 8.20
Exercisable at February 28, 2009	<u>1,008</u>	<u>\$11.62</u>

Of the 50,000 stock options exercised during the fiscal 2009, 39,498 shares underlying such exercised options were retained by the Company in a “net-share” settlement to cover the aggregate exercise price and the required amount of employee withholding taxes.

Changes in the shares of the Company’s nonvested restricted stock and RSUs during the fiscal years 2009, 2008 and 2007 were as follows (in thousands except dollar amounts):

	<u>Number of Shares</u>	<u>Weighted Average Grant Date Fair Value</u>
Outstanding at February 28, 2006	—	\$ —
Granted	24	6.51
Vested	—	—
Forfeited	(4)	6.51
	<hr/>	<hr/>
Outstanding at February 28, 2007	20	6.51
Granted	542	3.71
Vested	(80)	4.84
Forfeited	(8)	4.28
	<hr/>	<hr/>
Outstanding at February 28, 2008	474	3.63
Granted	633	2.06
Vested	(149)	3.76
Forfeited	(51)	3.87
	<hr/>	<hr/>
Outstanding at February 28, 2009	<u>907</u>	<u>\$2.50</u>

CALAMP CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

In fiscal 2009, 43,430 shares of the vested restricted stock and RSUs were retained by the Company to cover the required amount of employee withholding taxes.

The Company issued 36,000 bonus stock shares in fiscal 2009, of which 13,242 shares were retained by the Company to cover the required amount of employee withholding taxes.

As of February 28, 2009, there were 352,971 award units available for grant. Under the 2004 Plan the grant of one stock option or stock appreciation right is equal to one award unit. The grant of other forms of equity awards, including restricted stock, RSUs, phantom stock and bonus stock, each reduce the amount of award units available to grant under the 2004 Plan at the rate of 1.2 award units for each share of stock or RSU granted.

Under the 2004 Plan, on the day of the annual stockholders meeting each non-employee director receives an equity award of up to 10,000 award units. Equity awards granted to non-employee directors vest on the earlier of the date of the annual stockholders meeting or one year from the date of grant.

The fair value of options at date of grant was estimated using the Black-Scholes option pricing model with the following assumptions:

<u>Black-Scholes Valuation Assumptions</u>	<u>Year ended February 28,</u>		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
Expected life (years) (1)	6	6	5
Expected volatility (2)	63%-64%	61%-64%	69%-81%
Risk-free interest rates (3).	2.7%-3.5%	4.5%-4.6%	4.6%-5.2%
Expected dividend yield	0%	0%	0%

- (1) The expected life of stock options is estimated based on historical experience.
- (2) The expected volatility is estimated based on historical volatility of the Company's stock price.
- (3) Based on the U.S. Treasury constant maturity interest rate whose term is consistent with the expected life of the stock options.

The weighted average fair value for stock options granted in fiscal years 2009, 2008 and 2007 was \$1.45, \$2.71, and \$8.63, respectively.

The weighted average remaining contractual term and the aggregate intrinsic value of options outstanding as of February 28, 2009 was 6.4 years and \$-0-, respectively. The weighted average remaining contractual term and the aggregate intrinsic value of options exercisable as of February 28, 2009 was 4.5 years and \$-0-, respectively. The total intrinsic value for stock options exercised during the year ended February 28, 2009 was \$42,500. Net cash proceeds from the exercise of stock options for the years ended February 28, 2009, 2008 and 2007 were \$0, \$213,000 and \$1,397,000, respectively. The income tax benefit from exercise of stock options for the same time periods was \$-0-, \$-0- and \$568,000, respectively.

CALAMP CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Stock-based compensation expense for the years ended February 28, 2009, 2008 and 2007 is included in the following captions of the consolidated statements of operations as follows (in thousands):

	Year ended February 28,		
	2009	2008	2007
Cost of revenues	\$ 75	\$ 64	\$ 78
Research and development	257	205	220
Selling	102	294	161
General and administrative	834	1,590	1,349
	\$1,268	\$2,153	\$1,808

Included in the loss from discontinued operations in the consolidated statements of operations is stock-based compensation expense of \$85,000 and \$405,000 for the years ended February 28, 2008 and 2007, respectively.

As of February 28, 2009, there was \$3.5 million of total unrecognized stock-based compensation cost related to nonvested stock options and nonvested restricted stock. That cost is expected to be recognized over a weighted-average remaining vesting period of 2.7 years.

Stock Warrants

In December 2007, the Company issued to a DBS customer a fully vested warrant to purchase 350,000 shares of common stock at an exercise price of \$3.72 per share, exercisable for three years.

Preferred Stock Purchase Rights

At February 28, 2009, 25,216,952 preferred stock purchase rights are outstanding. Each right may be exercised to purchase one-hundredth of a share of Series A Participating Junior Preferred Stock at a purchase price of \$50 per right, subject to adjustment. The rights may be exercised only after commencement or public announcement that a person (other than a person receiving prior approval from the Company) has acquired or obtained the right to acquire 20% or more of the Company's outstanding common stock. The rights, which do not have voting rights, may be redeemed by the Company at a price of \$.01 per right within ten days after the announcement that a person has acquired 20% or more of the outstanding common stock of the Company. In the event that the Company is acquired in a merger or other business combination transaction, provision shall be made so that each holder of a right shall have the right to receive that number of shares of common stock of the surviving company which at the time of the transaction would have a market value of two times the exercise price of the right. 750,000 shares of Series A Junior Participating Cumulative Preferred Stock, \$.01 par value, are authorized.

NOTE 9—EARNINGS PER SHARE

The weighted average number of common shares outstanding was the same amount for both basic and diluted loss per share for all periods presented. Potentially dilutive securities (options, warrants, nonvested restricted stock and RSUs) outstanding amounting to 3,126,000, 3,206,000, 2,481,000 at February 28, 2009, 2008 and 2007, respectively, were excluded from the computation of diluted earnings per share because the Company reported a net loss and the effect of inclusion would be antidilutive (i.e., including such securities would result in a lower loss per share).

CALAMP CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

NOTE 10—OTHER FINANCIAL INFORMATION

“Net cash provided (used) by operating activities” in the consolidated statements of cash flows includes cash payments for interest and income as follows (in thousands):

	Year ended February 28,		
	2009	2008	2007
Interest paid	\$1,615	\$ 2,322	\$ 1,964
Income taxes paid (refunded)	\$ (786)	\$ (1,645)	\$ (1,364)

Following is the supplemental schedule of non-cash investing and financing activities (in thousands):

	Year ended February 28,		
	2009	2008	2007
Non-cash consideration issued in partial satisfaction of product performance claim by key customer:			
Common stock	\$ —	\$2,560	\$ —
Warrants	\$ —	\$ 252	\$ —
Subordinated note payable	\$ —	\$5,000	\$ —
Non-cash consideration received from the sale of the Solutions Division’s TelAlert software business:			
Note receivable, net of payments received	\$ —	\$1,970	\$ —
Fair value of preferred stock	\$ —	\$3,137	\$ —
Earn-out amount for TechnoCom acquisition, net of payments	\$ —	\$1,284	\$ —
Company common stock issued from escrow fund as additional purchase consideration for the 2004 Vytex acquisition	\$ —	\$ —	\$2,052

Valuation and Qualifying Accounts

Following is the Company’s schedule of valuation and qualifying accounts for the last three years (in thousands):

	Balance at beginning of period	Charged (credited) to costs and expenses	Deductions	Other	Balance at end of period
Allowance for doubtful accounts:					
Fiscal 2007	\$ 203	\$ 116	\$ (56)	\$ 84(1)	\$ 347
Fiscal 2008	347	1,398	(1,111)	637(2)	1,271
Fiscal 2009	1,271	(507)	(212)	—	552
Warranty reserve:					
Fiscal 2007	\$ 477	\$ 1,708	\$ (981)	\$ 91(1)	\$1,295
Fiscal 2008	1,295	13,435	(1,049)	(8,812)(3)	4,869
Fiscal 2009	4,869	353	(1,936)	—	3,286

- (1) These represent amounts of allowances and reserves pertaining to the assets acquired from Dataradio.
- (2) These represent amounts of allowances and reserves pertaining to the Aercept assets acquired from AirIQ.
- (3) The warranty reserve was reduced by \$8.8 million as the result of a settlement agreement with a key DBS customer, as further described in Note 11.

CALAMP CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

NOTE 11—COMMITMENTS AND CONTINGENCIES

Operating Lease Commitments

The Company leases the building that houses its corporate office, Satellite segment offices and manufacturing plant in Oxnard, California under an operating lease that expires June 30, 2011. The lease agreement requires the Company to pay all maintenance, property taxes and insurance premiums associated with the building. The Wireless DataCom segment leases facilities in California, Minnesota, Georgia, Canada and France. The Company is obligated under a lease commitment for offices in San Diego, California, in which the Solutions Division operated until the TelAlert business was sold. The Company has subleased a portion of the San Diego office space and is attempting to sublease the remainder. The Company also leases certain manufacturing equipment and office equipment under operating lease arrangements. A summary of future operating lease commitments is included in the contractual cash obligations table in Note 6.

DBS Product Field Performance Issues

During fiscal 2007, the Company received notification from one of its DBS customers of field performance issues with a DBS product that the Company began shipping in 2004. After examining the various component parts used in the manufacture of these products, it was determined by the Company that the performance issue was the result of a deterioration of the printed circuit board (PCB) laminate material used in these products. In fiscal 2008 the Company recorded a charge of \$17.9 million for this matter, which is included in cost of revenues.

In addition to returning product, in May 2007 this DBS customer put on hold all orders for CalAmp products, including newer generation products, pending the requalification of all products manufactured by the Company for this customer. In January 2008, the customer requalified CalAmp's designs for the affected products and in May 2008 the Company resumed product shipments to this customer. As of February 28, 2009, the Company had 483,000 returned units that are expected to be repaired and reshipped to the customer in the future.

On December 14, 2007, the Company entered into a settlement agreement with this customer. Under the terms of the settlement agreement, CalAmp agreed to rework certain DBS products previously returned to the Company or to be returned over a 15-month period and will provide extended warranty periods for workmanship (18 months) and product failures due to the issue with the PCB laminate material (36 months). In addition, as part of the settlement:

- The Company issued to the customer one million shares of CalAmp common stock.
- The Company issued to the customer a fully vested warrant to purchase an additional 350,000 shares of common stock at \$3.72 per share, exercisable for three years.
- The customer agreed to restrictions on 500,000 shares of the common stock issued in connection with the settlement and the warrant shares that limit sales to 285,000 shares in any one year period following the settlement date. The customer also agreed to vote all of its CalAmp shares (including the warrant shares) either with the recommendation of the Company's Board of Directors or in the same proportion as all other outstanding shares.
- The Company issued to the customer a \$5 million non-interest bearing promissory note that is payable at a rate of \$5.00 per unit on the first one million DBS units purchased by a key DBS customer after the date of the settlement agreement. The promissory note, which is subordinated to the outstanding indebtedness under CalAmp's bank credit facility, will be accelerated if the Company becomes insolvent, files for bankruptcy, or undergoes a change of control.

CALAMP CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

- The Company granted piggyback registration rights to the customer to include its CalAmp shares in certain offerings by the Company.
- The customer agreed to pay \$1.3 million of \$2.3 million in outstanding accounts receivable due to the Company, with the remaining \$1 million of receivables canceled by the Company as additional consideration for the settlement.
- The parties agreed to immediately release each other from claims related to certain products manufactured with the defective PCB laminate material, and to release claims related to other newer products upon the later of: (i) the 15-month anniversary of the settlement agreement; and (ii) the date that the Company has shipped a total of 400,000 reworked products; provided that if this delayed release date has not occurred within two years of the original settlement date, such claims will not be released. In addition, each party has agreed not to initiate any proceeding with respect to the delayed release claims prior to the earlier of the delayed release date and the second anniversary of the settlement, subject to certain acceleration events based on the Company's performance under the settlement agreement.

In the fourth quarter of fiscal 2008, the Company recorded the subordinated note payable of \$5,000,000, the issuance of one million shares of common stock valued at \$2,560,000 (the fair value of the shares as of the settlement date of December 14, 2007), the common stock purchase warrants valued at \$252,000 and the reduction of accounts receivable of \$1,000,000. A corresponding reduction of \$8,812,000 was made in the reserve for accrued warranty costs to reflect this settlement consideration given by the Company.

At February 28, 2009, the Company has aggregate reserves of \$5.4 million for this matter, of which \$1.2 million is an inventory reserve, approximately \$1.3 million is a vendor liability reserve included in other accrued liabilities, and the remaining \$2.9 million is a reserve for accrued warranty costs. The Company believes that its established reserves as of February 28, 2009 of \$5.4 million will be adequate to cover total future product rework costs under this settlement agreement.

The Company has on-hand inventory of approximately \$3.1 million and outstanding purchase commitments of \$3.4 million for materials that are specific to the products that the Company manufactures for this customer, which amounts are not currently reserved for because the Company believes these materials can be used in the ordinary course of business as future shipments of products are made to this customer. Nonetheless, changes in the forecasted product demand from this customer could require that the inventory reserve and/or the reserve for vendor commitment liabilities be increased to cover some portion of these amounts.

NOTE 12—LEGAL PROCEEDINGS

In November 2008, a class action lawsuit was filed in the Los Angeles County Superior Court against the Company, the former owner of the Company's Aercept business and one of Aercept's distributors. The plaintiff seeks monetary damages in an amount not yet specified. The class has not been certified. The lawsuit alleges that Aercept made misrepresentations when the plaintiff purchased analog vehicle tracking devices in 2005, which was prior to CalAmp's acquisition of Aercept in an asset purchase. The tracking devices ceased functioning in early 2008 due to termination of analog service by the wireless network operators. The Company is seeking dismissal of the lawsuit on the basis that the assertion of successor liability is not supported by the law or the facts. No loss accrual has been made in the accompanying financial statements for this matter.

In May 2007, a patent infringement suit was filed against the Company in the U.S. District Court for the Eastern District of Texas. The lawsuit contended that the Company infringed on four patents and sought injunctive and monetary relief. In August 2007, the Company denied the plaintiff's claims and asserted counterclaims. The

CALAMP CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

District Court subsequently ordered the dismissal of claims related to three patents and in June 2008, the United States Patent and Trademarks Office (“USPTO”) issued a preliminary office action rejecting the plaintiff’s claim involving the remaining patent in the lawsuit. In August 2008, the plaintiff filed a response to the USPTO’s preliminary office action requesting reconsideration in light of amendments to the claim and remarks contained in the response. The USPTO has not yet acted on this response. In light of the USPTO’s preliminary office action, the case has been stayed by the District Court until the USPTO reaches a final decision in the reexamination proceeding. The Company continues to believe the lawsuit is without merit and intends to vigorously defend against this action if and when court proceedings resume. No loss accrual has been made in the accompanying financial statements for this matter.

In May 2007, the Company filed lawsuit against Rogers Corporation (“Rogers”) for product liability issues related to defective laminate material and subsequent damages incurred by the Company as a result of lost business and the cost of product repair work associated with one of CalAmp’s DBS customers. Rogers manufactures and supplies printed circuit laminate materials to sub-contractors of the Company that is incorporated into the Company’s DBS products. In January 2009, the Company reached an out-of-court settlement of litigation with Rogers pursuant to which Rogers paid the Company \$9 million cash. In the settlement agreement the parties acknowledged that Rogers admitted no wrongdoing or liability for any claim, and that Rogers agreed to settle this litigation to avoid the time, expense and inconvenience of continued litigation. Both parties gave mutual releases of all claims and demands existing as of the settlement date.

In addition to the foregoing matters, the Company from time to time is a party, either as plaintiff or defendant, to various legal proceedings and claims that arise in the ordinary course of business. While the outcome of these claims cannot be predicted with certainty, management does not believe that the outcome of any of these legal matters will have a material adverse effect on the Company’s consolidated financial position or results of operations.

NOTE 13—SEGMENT AND GEOGRAPHIC DATA

Information by business segment is as follows:

	Year ended February 28, 2009				Year ended February 28, 2008			
	Operating Segments				Operating Segments			
	Satellite	Wireless DataCom	Corporate	Total	Satellite	Wireless DataCom	Corporate	Total
Revenues	\$26,327	\$ 72,043		\$ 98,370	\$ 50,490	\$ 90,417		\$ 140,907
Gross profit								
(loss)	\$10,254	\$ 27,872		\$ 38,126	\$(14,808)	\$ 33,303		\$ 18,495
Gross margin	38.9%	38.7%		38.8%	(29.3)%	36.8%		13.1%
Operating income								
(loss)	\$ 3,616	\$(42,206)	\$ (6,394)	\$(44,984)	\$(63,924)	\$(30,473)	\$ (6,421)	\$(100,818)
Identifiable								
Assets	\$11,447	\$ 30,669	\$27,531	\$ 69,647	\$ 22,856	\$ 85,609	\$34,576	\$ 143,041

CALAMP CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	Year ended February 28, 2007			
	Operating Segments			
	Satellite	Wireless DataCom	Corporate	Total
Revenues	\$ 155,127	\$ 56,587		\$ 211,714
Gross profit	\$ 23,402	\$ 22,033		\$ 45,435
Gross margin	15.1%	38.9%		21.5%
Operating income (loss)	\$ 17,317	\$ (5,888)	\$ (5,853)	\$ 5,576
Identifiable Assets	\$ 124,227	\$ 92,019	\$ 13,457	\$ 229,703

The Company considers operating income (loss) to be the primary measure of profit or loss of its business segments. The amount shown for each period in the “Corporate” column above for operating income (loss) consists of corporate expenses not allocated to the business segments. Unallocated corporate expenses include salaries for the CEO, CFO and several other corporate staff members, and expenses such as audit fees, investor relations, stock listing fees, director and officer liability insurance, and board of director fees and expenses.

The Company does not have significant long-lived assets outside the United States.

The Company’s revenues were derived mainly from customers in the United States, which represented 89%, 94% and 94% of consolidated revenues in fiscal 2009, 2008 and 2007, respectively. No single foreign country accounted for more than 10% of the Company’s revenue in fiscal 2009.

NOTE 14—QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

The following summarizes certain quarterly statement of operations data for each of the quarters in fiscal years 2009 and 2008 (in thousands, except percentages and per share data):

	Fiscal 2009				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Revenues	\$27,901	\$23,308	\$25,834	\$ 21,327	\$ 98,370
Gross profit	9,429	7,468	7,641	13,588	38,126
Gross margin	33.8%	32.0%	29.6%	63.7%	38.8%
Net loss	(497)	(1,498)	(1,838)	(45,832)	(49,665)
Net loss per diluted share	(0.02)	(0.06)	(0.07)	(1.85)	(2.01)

The net loss from continuing operations in the fiscal 2009 fourth quarter includes impairment charges of \$44.7 million and income tax expense of \$6.0 million, partially offset by the \$9 million reduction of cost of revenues as a result of the legal settlement with Rogers.

CALAMP CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	Fiscal 2008				Total
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	
Revenues	\$ 46,393	\$ 32,668	\$ 32,061	\$ 29,785	\$ 140,907
Gross profit (loss)	(5,386)	6,315	10,028	7,538	18,495
Gross margin	(11.6%)	19.3%	31.3%	25.3%	13.1%
Loss from continuing operations	(10,945)	(3,258)	(58,931)	(9,216)	(82,350)
Loss from discontinued operations	(417)	(180)	—	—	(597)
Loss on sale of discontinued operations	—	(935)	—	(267)	(1,202)
Net loss	(11,362)	(4,373)	(58,931)	(9,483)	(84,149)
Net loss per diluted share	(0.48)	(0.19)	(2.49)	(0.38)	(3.53)

The gross loss and loss from continuing operations in the fiscal 2008 first quarter include a pretax charge of \$16.3 million for a DBS product performance issue as described in Note 11.

The losses from continuing operations in the fiscal 2008 third and fourth quarters include goodwill impairment charges of \$65,745,000 and \$5,531,000, respectively.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company’s principal executive officer and principal financial officer have concluded, based on their evaluation of disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934), as amended (the “Exchange Act”) as of February 28, 2009, that the Company’s disclosure controls and procedures are effective, at the reasonable assurance level, to ensure that the information required to be disclosed in reports that are filed or submitted under the Exchange Act is accumulated and communicated to management, including the principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure and that such information is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities Exchange Commission.

Management’s Report on Internal Control over Financial Reporting

The management of CalAmp Corp. is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended.

The management of CalAmp Corp. has assessed the effectiveness of the Company’s internal control over financial reporting as of February 28, 2009. In making this assessment, management used criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in “Internal Control – Integrated Framework”. Based on its assessment, management of CalAmp Corp. has concluded that, as of February 28, 2009, the Company’s internal control over financial reporting is effective based on those criteria.

SingerLewak, our independent registered public accounting firm, has audited the effectiveness of the Company's internal control over financial reporting as of February 28, 2009, as stated in their report, which is included elsewhere herein.

Attestation Report of Independent Registered Public Accounting Firm

The attestation report of the Company's independent registered public accounting firm as of February 28, 2009 regarding internal control over financial reporting is set forth in Item 8 of this Annual Report on Form 10-K under the caption "Report of Independent Registered Public Accounting Firm" and incorporated herein by reference.

Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting during the fourth quarter of fiscal 2009 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Compensatory Arrangements of Executive Officers

On May 5, 2009, the Board of Directors of the Company, upon the recommendation of the Compensation Committee, established the target and maximum bonuses and performance goals under the fiscal 2010 executive officer incentive compensation plan. The individuals covered by the fiscal 2010 executive officer incentive compensation plan are:

- Richard Gold President and Chief Executive Officer
- Michael Burdick Chief Operating Officer
- Garo Sarkissian Vice President Corporate Development
- Richard Vitelle Vice President Finance, Chief Financial Officer and Corporate Secretary

Mr. Gold is eligible for target and maximum bonuses of up to 50% and 100%, respectively, of his annual salary. Messrs. Burdick and Vitelle are each eligible for target bonuses of up to 40% of annual salary, and maximum bonuses of up to 80% of annual salary. Mr. Sarkissian is eligible for target and maximum bonuses of up to 30% and 60%, respectively, of his annual salary.

The target and maximum bonus amounts for all executive officers are based on the Company attaining certain levels of consolidated revenue and consolidated earnings before interest, taxes, depreciation and amortization (EBITDA) for fiscal 2010.

Effective May 11, 2009, Mr. Gold's employment agreement was amended to: (i) reduce his annual base salary from \$425,000 to \$380,000; and (ii) modify the severance provision in the event of termination without cause or following a change of control to 24 months of salary continuation if termination occurs during the first two years of employment and for the next 12 months thereafter reduce the salary continuation benefit by one month for each additional month of employment until the salary continuation benefit reaches 12 months where it will thereafter be fixed. Mr. Gold's salary reduction was voluntarily made by him in conjunction with other recent company-wide cost-reduction actions.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information about executive officers is included in Part I, Item 1 of this Annual Report on Form 10-K.

The following information will be included in the Company's definitive proxy statement for the Annual Meeting of Stockholders to be held on July 30, 2009 and is incorporated herein by reference in response to this item:

- Information regarding directors of the Company who are standing for reelection.
- Information regarding the Company's Audit Committee and designated "audit committee financial experts".
- Information on the Company's "Code of Business Conduct and Ethics" for directors, officers and employees.

ITEM 11. EXECUTIVE COMPENSATION

The information under the caption "Executive Compensation" in the Company's definitive proxy statement for the Annual Meeting of Stockholders to be held on July 30, 2009 is incorporated herein by reference in response to this item.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information under the caption "Stock Ownership" in the Company's definitive proxy statement for the Annual Meeting of Stockholders to be held on July 30, 2009 is incorporated herein by reference in response to this item.

Securities Authorized for Issuance under Equity Compensation Plans

At February 28, 2009, the Company had two stock option plans, the "1999 Plan" and the "2004 Plan". Options to purchase the Company's common stock have been granted to both employees and non-employee directors. Options can no longer be granted under the 1999 Plan. The 1999 and 2004 Plans were both approved by the Company's stockholders.

Further information about these plans is set forth in Note 8 to the consolidated financial statements. Certain information about the plans is as follows:

Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column)
<u>1,869,000</u>	<u>\$8.20</u>	<u>352,971</u>

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information contained under the captions “Certain Relationships and Related Transactions” and “Director Independence” in the Company’s definitive proxy statement for the Annual Meeting of Stockholders to be held on July 30, 2009 is incorporated herein by reference in response to this item.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information contained under the caption “Independent Public Accountants” in the Company’s definitive proxy statement for the Annual Meeting of Stockholders to be held on July 30, 2009 is incorporated herein by reference in response to this item.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this Report:

1. The following consolidated financial statements of CalAmp Corp. and subsidiaries are filed as part of this report under Item 8 – Financial Statements and Supplementary Data:

	Form 10-K Page No.
Reports of Independent Registered Public Accounting Firm	34
Consolidated Balance Sheets	37
Consolidated Statements of Operations	38
Consolidated Statements of Stockholders' Equity and Comprehensive Income (Loss).	39
Consolidated Statements of Cash Flows	40
Notes to Consolidated Financial Statements	41

2. *Financial Statements Schedules:*

Schedule II—Valuation and Qualifying Accounts is included in the consolidated financial statements which are filed as part of this report under Item 8 – Financial Statements and Supplementary Data.

All other financial statement schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and, therefore, have been omitted.

3. *Exhibits*

Exhibits required to be filed as part of this report are:

Exhibit Number	Description
3.1	Amended and Restated Certificate of Incorporation reflecting the change in the Company's name to CalAmp Corp. and the increase in authorized common stock from 30 million to 40 million shares (incorporated by reference to Exhibit 3.1 of the Company's Report on Form 10-Q for the period ended August 31, 2004).
3.2	Bylaws of the Company (incorporated by reference to Exhibit 3.2 of the Company's Annual Report on Form 10-K for the year ended February 28, 2005).
4.1	Amended and Restated Rights Agreement, amended and restated as of September 5, 2001, by and between Registrant and Mellon Investor Services LLC, as Rights Agent (incorporated by reference to Exhibit 4.1 filed with Company's Annual Report on Form 10-K for the year ended February 28, 2007).
4.2	Warrant, dated December 14, 2007, issued by CalAmp Corp. to EchoStar Technologies Corporation (incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K dated December 14, 2007).
10.	Material Contracts:

Exhibit Number	Description
(i)	Other than Compensatory Plan or Arrangements:
10.1	Building lease dated June 10, 2003 between the Company and Sunbelt Enterprises for a facility in Oxnard, California (incorporated by reference to Exhibit 10-1 filed with the Company's Report on Form 10-Q for the quarter ended May 31, 2003).
10.2	Credit Agreement dated as of May 26, 2006 between and among the Company, certain subsidiaries of the Company and Bank of Montreal as administrative agent (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed on June 2, 2006).
10.3	Second Amendment and Consent to Credit Agreement dated August 9, 2007 between CalAmp Corp. and Bank of Montreal as administrative agent (incorporated by reference to Exhibit 10-1 filed with the Company's Report on Form 10-Q for the quarter ended August 31, 2007).
10.4	Third Amendment and Consent to Credit Agreement dated December 1, 2007 between CalAmp Corp. and Bank of Montreal as administrative agent (incorporated by reference to Exhibit 10-1 filed with the Company's Report on Form 10-Q for the quarter ended November 30, 2007).
10.5	Fourth Amendment and Waiver to Credit Agreement dated February 29, 2008 between CalAmp Corp. and Bank of Montreal as administrative agent (incorporated by reference to Exhibit 10-1 filed with the Company's Current Report on Form 8-K dated February 29, 2008).
10.6	Fifth Amendment to Credit Agreement dated October 24, 2008 between CalAmp Corp. and Bank of Montreal and other lenders party thereto (incorporated by reference to Exhibit 10.1 filed with the Company's Current Report on Form 8-K dated October 24, 2008).
10.7	Sixth Amendment to Credit Agreement dated January 15, 2009 between CalAmp Corp. and Bank of Montreal and other lenders party thereto (incorporated by reference to Exhibit 10.1 filed with the Company's Current Report on Form 8-K dated January 15, 2009).
10.8	Seventh Amendment to Credit Agreement dated February 13, 2009 between CalAmp Corp. and Bank of Montreal and other lenders party thereto (incorporated by reference to Exhibit 10.2 filed with the Company's Current Report on Form 8-K dated February 13, 2009).
10.9	Eighth Amendment to Credit Agreement dated May 1, 2009 between CalAmp Corp. and Bank of Montreal and other lenders party thereto.
10.10	Form of Directors and Officers Indemnity Agreement (incorporated by reference to Exhibit 10.3 of the Company's Annual Report on Form 10-K for the year ended February 28, 2005).
10.11	Settlement Agreement, dated December 14, 2007, by and between CalAmp Corp. and EchoStar Technologies Corporation (incorporated by reference to Exhibit 10.1 filed with the Company's Current Report on Form 8-K dated December 14, 2007).
10.12	Subordinated Promissory Note, dated December 14, 2007, in the amount of \$5,000,000 issued by CalAmp Corp. to EchoStar Technologies Corporation (incorporated by reference to Exhibit 10.2 filed with the Company's Current Report on Form 8-K dated December 14, 2007).
10.13	Amendment No. 1 dated February 13, 2009 to the Subordinated Promissory Note, dated December 14, 2007 between the Company and EchoStar Technologies LLC (incorporated by reference to Exhibit 10.1 filed with the Company's Current Report on Form 8-K dated February 13, 2009).
10.14	Registration Rights Agreement, dated December 14, 2007, by and between CalAmp Corp. and EchoStar Technologies Corporation (incorporated by reference to Exhibit 10.3 filed with the Company's Current Report on Form 8-K dated December 14, 2007).

Exhibit Number	Description
10.15	Voting and Lock-Up Agreement, dated December 14, 2007, by and between CalAmp Corp. and EchoStar Technologies Corporation (incorporated by reference to Exhibit 10.4 filed with the Company's Current Report on Form 8-K dated December 14, 2007).
10.16	Settlement Agreement dated January 6, 2009 between CalAmp Corp. and Rogers Corporation (incorporated by reference to Exhibit 10.1 filed with the Company's Current Report on Form 8-K dated January 6, 2009).
(ii)	Compensatory Plans or Arrangements required to be filed as Exhibits to this Report pursuant to Item 15 (b) of this Report:
10.17	The 1999 Stock Option Plan (incorporated by reference to Exhibit 4.1 of the Company's Registration Statement No. 333-93097 on Form S-8).
10.18	CalAmp Corp. 2004 Stock Incentive Plan as amended and Restated (incorporated by reference to Exhibit 10.6 filed with Company's Annual Report on Form 10-K for the year ended February 28, 2007).
10.19	Employment Agreement between the Company and Richard Vitelle dated May 31, 2002 (incorporated by reference to Exhibit 10.9 filed with Company's Annual Report on Form 10-K for the year ended February 28, 2004).
10.20	Employment Agreement between the Company and Michael Burdick dated July 2, 2007 (incorporated by reference to Exhibit 10.1 of the Company's Report on Form 10-Q for the period ended May 31, 2007).
10.21	Employment Agreement between the Company and Garo Sarkissian dated July 2, 2007 (incorporated by reference to Exhibit 10.2 of the Company's Report on Form 10-Q for the period ended May 31, 2007).
10.22	Employment Agreement between the Company and Richard Gold, effective March 4, 2008 (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated March 4, 2008).
10.23	Form of Amendment to Employment Agreement dated December 19, 2008, for each of the executive officers: Richard Gold, Michael Burdick, Richard Vitelle and Garo Sarkissian (incorporated by reference to Exhibit 10.1 of the Company's Report on Form 10-Q for the period ended November 29, 2008).
10.24	Second Amendment to Employment Agreement dated May 11, 2009 between the Company and Richard Gold
21	Subsidiaries of the Registrant.
23.1	Consent of Independent Registered Public Accounting Firm.
23.2	Consent of Independent Registered Public Accounting Firm.
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
(b)	Each management contract or compensatory plan or arrangement required to be filed as an exhibit to this form is filed as part of Item 15(a)(3)Exhibits and specifically identified as such.
(c)	Other Financial Statement Schedules. None

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on May 11, 2009.

CALAMP CORP.

By: /s/ RICHARD GOLD
Richard Gold
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u> /s/ FRANK PERNA, JR. </u> Frank Perna, Jr.	Chairman of the Board of Directors	<u>May 11, 2009</u>
<u> /s/ KIMBERLY ALEXY </u> Kimberly Alexy	Director	<u>May 11, 2009</u>
<u> /s/ A.J. MOYER </u> A.J. Moyer	Director	<u>May 11, 2009</u>
<u> /s/ THOMAS PARDUN </u> Thomas Pardun	Director	<u>May 11, 2009</u>
<u> /s/ LARRY WOLFE </u> Larry Wolfe	Director	<u>May 11, 2009</u>
<u> /s/ RICHARD GOLD </u> Richard Gold	President, Chief Executive Officer and Director (principal executive officer)	<u>May 11, 2009</u>
<u> /s/ RICHARD VITELLE </u> Richard Vitelle	VP Finance, Chief Financial Officer and Treasurer (principal accounting officer)	<u>May 11, 2009</u>

CalAmp Corp.

Directors, Executive Officers and Other Corporate Information

Board of Directors

Frank Perna, Jr.
Chairman of the Board
Chairman Emeritus,
MSC Software Corporation

A.J. "Bert" Moyer
Business Consultant and
Private Investor

Kimberly Alexy, CFA
Principal
Alexy Capital Management

Thomas Pardun
Chairman of the Board
Western Digital Corporation

Richard Gold
President and Chief Executive Officer
CalAmp Corp.

Larry J. Wolfe
President and Chief Executive Officer
Taxcient, Inc.

Executive Officers

Richard Gold
President and Chief Executive Officer

Michael Burdick
Chief Operating Officer

Garo Sarkissian
Vice President Corporate Development

Rick Vitelle
Vice President Finance,
Chief Financial Officer
and Corporate Secretary

Independent Accountants

SingerLewak LLP
Los Angeles, CA


Legal Counsel
Gibson, Dunn & Crutcher, LLP
Los Angeles, CA

Transfer Agent & Registrar
American Stock Transfer and Trust Co.
59 Maiden Lane
New York, NY 10037

Investor Relations
Financial Relations Board
Los Angeles, CA
lglassen@mww.com

Forward Looking Statements: This annual report, including the Letter to Stockholders, contains forward looking statements within the meaning of the federal securities laws. Words such as "believes", "expects", "anticipates", "will", "could", and variations of these words and similar expressions, are intended to identify forward looking statements. Our actual results could differ materially from the results anticipated in these forward looking statements as a result of the factors set forth under the heading "Risk Factors" in the Company's Annual Report on Form 10-K as filed with the Securities and Exchange Commission on May 12, 2009.





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NASDAQ: CAMP