CalAmp Corp.
Form 10-K
April 28, 2011

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, 2011

COMMISSION FILE NUMBER: 0-12182

CALAMP CORP.

(Exact name of Registrant as specified in its Charter)

Delaware	95-3647070
(State or other jurisdiction of incorporation or organization)	(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	NAME OF EACH EXCHANGE
None	None

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

$.01 par value Common Stock	Nasdaq Global Select Market
(Title of Class)	(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 [X].

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 [X].

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). 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 [ ] (Do not check if a smaller reporting company)	Smaller Reporting Company [X]

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

The aggregate market value of voting and non-voting common stock held by non-affiliates of the registrant as of August 28, 2010 was approximately $67,120,000. As of March 31, 2011, there were 28,128,304 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 28, 2011 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") develops and markets wireless communications solutions that deliver data, voice and video for critical networked communications and other applications. The Company's two business segments are Wireless DataCom, which serves utility, governmental and enterprise customers, and Satellite, which focuses on the North American Direct Broadcast Satellite ("DBS") market.

WIRELESS DATACOM

The Wireless DataCom segment provides wireless communications technologies, products and services to the wireless networks and mobile resource management markets for a wide range of applications including:

- Optimizing and automating electricity distribution and ancillary utility functions;
- Facilitating communication and coordination among emergency first-responders;
- Increasing productivity and optimizing activities of mobile workforces;
- Improving management control over valuable remote and mobile assets; and
- Enabling novel applications in a wirelessly connected world.

CalAmp has expertise in designing and providing solutions involving various combinations of private and public (cellular infrastructure) networks, narrow-band and broad-band frequencies, licensed and unlicensed radio spectrum, and mobile and fixed-remote communications. The Company's Wireless DataCom segment is comprised of a Wireless Networks business and a Mobile Resource Management ("MRM") business, as described further below.

Wireless Networks

CalAmp's Wireless Networks business provides products and systems to state and local governmental entities and industrial/utility/transportation enterprises for deployment where the ability to communicate with mobile personnel or to command and control remote assets is crucial. The Company's wireless technology solutions play a strategic role in support of North American Homeland Security initiatives and electrical grid modernization.

Municipal, county and state governments, public safety agencies and emergency first-responders rely on CalAmp solutions for public safety mobile communications. CalAmp designs and builds multi-network wireless systems that permit first-responder fire, police and Emergency Medical Services personnel to access data and communicate remotely with colleagues, dispatchers and back-office databases.

Utilities, oil and gas, mining, railroad and security companies rely on CalAmp products for wireless data communications to and from outlying locations, permitting real-time monitoring, activation and control of remote equipment. Applications include remotely measuring freshwater and wastewater flows, pipeline flow monitoring for oil and gas transport, automated utility meter reading, remote internet access and perimeter monitoring. CalAmp is among the leaders in the application of wireless communications technology to Smart Grid power distribution automation for electric utilities.

Mobile Resource Management (MRM)

CalAmp's MRM business addresses the need for location awareness and control of assets on the move. MRM wireless solutions typically include Global Positioning System ("GPS") location, cellular data modems and programmable events-based notification firmware as key components, allowing customers to know where and how their assets are performing, no matter where those mobile assets are located. Commercial organizations, vehicle finance companies, city and county governments, and a wide range of other enterprises rely on CalAmp products and systems to optimize delivery of services and protect valuable assets. Applications include fleet management, asset tracking, student and school bus tracking and route optimization, stolen vehicle recovery, remote asset security, remote start, and machine-to-machine communications. In addition to functioning as an OEM supplier of location and communications hardware for MRM applications, CalAmp is a total solutions provider of turn-key systems incorporating location and communications hardware, cellular airtime and Web-based remote asset management tools and interfaces.

SATELLITE

The Satellite segment develops, manufactures and sells DBS outdoor customer premise equipment for digital and high definition satellite TV reception. CalAmp's DBS products have been sold primarily to the two U.S. DBS system operators, EchoStar and DirecTV, for incorporation into complete subscription satellite television systems.

The Company's DBS reception products are installed at subscriber premises to receive television programming signals transmitted from orbiting satellites. These DBS reception products consist principally of outdoor electronics that receive, process, amplify and switch satellite television signals for distribution over coaxial cable to multiple set-top boxes inside the home that can acquire, recognize and process the signal to create a picture.

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, particularly those that are sole source materials or components, 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. Historically, the Company has performed final assembly and final test of its satellite products and some Wireless DataCom products at its principal facility in Oxnard, California. However, the Company is currently transitioning its principal satellite products to full turn-key production by off-shore contractors. The Company performs additional final assembly and tests on other Wireless DataCom products at its facility in Waseca, Minnesota. Printed circuit assemblies are mounted in various metal and plastic housings, electronically tested, and subjected to additional environmental tests prior to packaging and shipping.

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. The Company upgraded its registration to ISO 9001:2000 in 2003 and upgraded once again to ISO 9001:2008, in 2010. ISO 9001:2008 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. Registration assessments are performed by Underwriters Laboratories Inc. ("UL") according to the ISO 9001:2008 International Standard. The Company continually performs internal audits to ensure compliance with this quality standard. In addition, UL performs an annual external Compliance Assessment, with the next assessment scheduled for July 2011. The Company has maintained its ISO certification through each Compliance Assessment. Every three years, UL performs a full system Recertification Assessment. The next Recertification Assessment is scheduled for July 2013.

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, wireless communication systems for utilities, public safety and industrial monitoring and controls for mobile and fixed location IP data communication 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 broadening existing product lines, reducing product costs and improving performance through product redesign efforts.

Research and development expenses in fiscal years 2011, 2010 and 2009 were $11,125,000, $10,943,000 and $12,899,000, respectively. During this three year period, the Company's research and development expenses have ranged between 10% and 13% of annual consolidated revenues.

SALES AND MARKETING

The Company's revenues are derived mainly from customers in the United States, which represented 91%, 93% and 89% of consolidated revenues in fiscal 2011, 2010 and 2009, respectively.

The Wireless DataCom segment sells its products and services through dedicated direct and indirect sales channels with employees distributed across the U.S. The sales and marketing functions for the MRM business are managed out of our Carlsbad and Irvine, California offices. The sales and marketing functions for the Wireless Networks business are managed out of our Waseca, Minnesota and Atlanta, Georgia offices. In addition, the Wireless DataCom segment’s sales and marketing activities are supported internationally with presence in Canada, France, Israel and the United Kingdom.

The Satellite segment has historically sold its 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 at the Company's corporate headquarters in Oxnard, California.

Customers that accounted for 10% or more of consolidated annual sales in any one of the last three years are as follows:

		Year Ended February 28,		
Customer	Segment	2011	2010	2009
EchoStar	Satellite	31.0%	48.6%	15.7%
DirecTV	Satellite	-	-	10.3%

EchoStar and DirecTV serve the North American DBS market. The Company believes that the loss of Echostar as a customer could have a material adverse effect on the Company’s financial position and results of operations. During fiscal years 2010 and 2011 the Company did not make any sales to DirecTV because of pricing and competitive pressures. In light of these factors, at the present time it is uncertain when, or if, the Company will resume product shipments to DirecTV.

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, GE-MDS, Freewave, Sierra Wireless, GenX, Procon GPS, Novatel Wireless-Enfora and Xirgo.

Satellite

The Company believes that the principal competitors for its DBS products include Sharp, Wistron NeWeb Corporation, Microelectronics Technology and Pro Brand. Because the Company is typically not the sole source supplier of its satellite products, it is exposed to increased price and margin pressures in this business.

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 given date is not generally 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 at any point in time may not be indicative of sales for any future period.

INTELLECTUAL PROPERTY

At February 28, 2011, the Company had 19 U.S. patents and 11 foreign patents in its Wireless DataCom business. In addition to its awarded patents, the Company has 5 patent applications in process.

Trademarks

CalAmp and Dataradio are federally registered trademarks of the Company.

EMPLOYEES

At February 28, 2011, the Company had approximately 380 employees and approximately 60 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.

EXECUTIVE OFFICERS

The executive officers of the Company are as follows:

NAME	AGE	POSITION
Richard Gold	56	Director and Chief Executive Officer
Michael Burdiek	51	President and Chief Operating Officer
Garo Sarkissian	44	Vice President, Corporate Development
Richard Vitelle	57	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. In April 2010, Mr. Gold relinquished the title of President but retained the title of CEO in conjunction with the promotion of Mr. Burdiek to President and COO. 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 in March 2007. Mr. Burdiek was appointed Chief Operating Officer in June 2008 and was promoted to President and COO in April 2010. 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) 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 a significant customer, the loss of which could have a material adverse effect on the Company’s future sales and its ability to grow.

EchoStar accounted for about one-third of the Company’s consolidated revenues for fiscal 2011. The loss of EchoStar as a customer, deterioration in its overall business, or a decrease in its volume of sales, could result in decreased sales for us and could have a material adverse impact on our ability to grow our business. A substantial decrease or interruption in business from this key customer 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. Any of these actions taken by our customers could have a material adverse effect on the Company’s business, financial condition or results of operations.

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 our 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 could 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 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 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 close to 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 outdoor receiver 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 degradation in quality, it could take up to six months to 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. Any of these events could have a material adverse effect on the Company’s business, financial condition or results of operations.

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

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 new product features. In the past, we have experienced delays in introducing some new product 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. 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.

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 if 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 policies. We may not be able to develop products that comply 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 required 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 9%, 7%, and 11% of CalAmp’s total sales for the fiscal years ended February 28, 2011, 2010 and 2009, 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 in 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. In addition, if the Chinese government allows the value of its currency to rise vis-à-vis the U.S. dollar, our product housings and subassemblies that are sourced in China could become more expensive, putting pressure on our profit margins.

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 30 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, trade secrets or other intellectual property 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 the various 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, network deployments for public safety mobile broadband data communications has been slowed due to the unavailability of the portion of the 700MHz spectrum intended for public safety use. Demand for our products may continue to be adversely affected so long as the rules for utilizing such spectrum, which are determined by governmental agencies, remain unclear.

We depend to some extent 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.

Our business could be adversely impacted by the interruption, failure or corruption of our proprietary Internet-based systems that are used to configure and communicate with the wireless tracking and monitoring devices that we sell.

Our Mobile Resource Management business depends upon several Internet-based systems that are proprietary to our Company. These applications, which are hosted by a Tier 1 Data Center and are connected via access points to cellular networks, are used by our customers and by us to configure and communicate with wireless devices for purposes of determining location, speed or other conditions, and to deliver configuration code or executable commands to the devices. If these Internet-based systems failed or were otherwise compromised in some way, it could adversely affect the proper functioning of the wireless tracking and monitoring devices that we sell, and could result in damages being incurred by us as a result of the temporary or permanent inability of our customers to wirelessly communicate with these devices.

New laws and regulations that impact our 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.

CalAmp’s products are subject to mandatory regulatory approvals in the United States and other countries that are subject to change, making compliance costly and unpredictable.

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 Wireless Networks data products are currently used in private networks.

Reduced consumer or corporate spending due to the global economic downturn that began in 2008 and other uncertainties in the macroeconomic environment have affected and could continue to adversely affect our revenues and cash flow.

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, ability to make debt payments 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 could have an immediate effect on the interest rates charged on our variable rate bank debt with Square 1 Bank, which rise and fall, subject to a minimum monthly interest payment, 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.

Risks Relating to Our Common Stock and the Securities Market

Anti-takeover defenses in our charter and under Delaware law could prevent us from being acquired or limit the price that investors might be willing to pay for our common stock in an acquisition.

Section 203 of the Delaware General Corporation Law prohibits a Delaware corporation from engaging in any business combination with any interested stockholder for a period of three years from the time the person became an interested stockholder, unless specific conditions are met. In addition, we have in place various protections which would make it difficult for a company or investor to buy the Company without the approval of our Board of Directors, including a stockholder rights plan, authorized but undesignated preferred stock and provisions requiring advance notice of board nominations and other actions to be taken at stockholder meetings. All of the foregoing could hinder, delay or prevent a change in control and could limit the price that investors might be willing to pay in the future for shares of our common stock.

The trading price of shares of our common stock may be affected by many factors and the price of shares of our common stock could decline.

As a publicly traded company, the trading price of our common stock has fluctuated significantly in the past. The future trading price of our common stock may be volatile and could be subject to wide price fluctuations in response to such factors, including:

- actual or anticipated fluctuations in revenues or operating results;
- failure to meet securities analysts' or investors' expectations of performance;
- changes in key management personnel;
- announcements of technological innovations or new products by CalAmp or its competitors;
- developments in or disputes regarding patents and proprietary rights;
- proposed and completed acquisitions by us or our competitors;
- the mix of products and services sold;
- the timing, placement and fulfillment of significant orders;
- product and service pricing and discounts;
- acts of war or terrorism; and
- general economic conditions.

Our stock price has been highly volatile in the past and could be highly volatile in the future.

The market price of our stock has been highly volatile due to the risks and uncertainties described in this Annual Report, as well as other factors, including:

- substantial volatility in quarterly revenues and earnings due to our current dependence on a small number of major customers;
- comments by securities analysts; and
- our failure to meet market expectations.

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Over the two-year period ended February 28, 2011, the price of CalAmp common stock as reported on The Nasdaq Stock Market ranged from a high of $3.77 to a low of $0.37. The stock market has from time to time experienced extreme price and volume fluctuations that were unrelated to the operating performance of particular companies. In the past, companies that have experienced volatility have sometimes subsequently become the subject of securities class action litigation. If litigation were instituted on this basis, it could result in substantial costs and a diversion of management's attention and resources.

Lack of expected dividends may make our stock less attractive as an investment.

We intend to retain all future earnings for use in the development of our business. We do not anticipate paying any cash dividends on our common stock in the foreseeable future. Generally, stocks that pay regular dividends command higher market trading prices, and so our stock price may be lower as a result of our dividend policy.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

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

Location	Square Footage	Use
Oxnard, California	98,000	Corporate office, Satellite segment offices and manufacturing plant
Carlsbad, California	11,000	Wireless DataCom offices
Irvine, California	7,000	Wireless DataCom offices
Atlanta, Georgia	6,000	Wireless DataCom offices
Chaska, Minnesota	4,000	Product design facility
Waseca, Minnesota	34,000	Wireless DataCom offices and manufacturing plant
Montreal, Quebec, Canada	8,000	Wireless DataCom offices

ITEM 3. LEGAL PROCEEDINGS

We are not currently involved in any material pending legal proceedings.

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:

	LOW	HIGH
Fiscal Year Ended February 28, 2011		
1st Quarter	$ 1.96	$ 3.60
2nd Quarter	2.00	2.68
3rd Quarter	2.34	3.00
4th Quarter	2.46	3.39
Fiscal Year Ended February 28, 2010		
1st Quarter	$ 0.37	$ 1.22
2nd Quarter	0.71	2.27
3rd Quarter	1.91	3.61
4th Quarter	2.46	3.77

At March 31, 2011 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 6,200. 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,				
	2011	2010	2009	2008	2007
	(In thousands except per share amounts)				
OPERATING DATA					
Revenues	$ 114,333	$ 112,113	$ 98,370	$ 140,907	$ 211,714
Cost of revenues	84,775	89,723	60,244	122,412	166,279
Gross profit	29,558	22,390	38,126	18,495	45,435
Operating expenses:					
Research and development	11,125	10,943	12,899	15,710	12,989
Selling	10,503	9,542	8,959	10,633	6,765
General and administrative	8,858	10,523	12,087	14,966	9,792
Intangible asset amortization	1,132	1,367	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	31,618	32,375	83,110	119,313	39,859
Operating income (loss)	(2,060)	(9,985)	(44,984)	(100,818)	5,576
Non-operating income (expense), net	(1,395)	(2,240)	(911)	(2,472)	591
Income (loss) from continuing operations before income taxes	(3,455)	(12,225)	(45,895)	(103,290)	6,167
Income tax benefit (provision)	172	1,374	(3,770)	20,940	(4,716)
Income (loss) from continuing operations	(3,283)	(10,851)	(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	$ (3,283)	$ (10,851)	$ (49,665)	$ (84,149)	$ (31,188)
Basic earnings (loss) per share from:					
Continuing operations	$ (0.12)	$ (0.43)	$ (2.01)	$ (3.45)	$ 0.06
Discontinued operations	-	-	-	(0.08)	(1.40)
Total basic loss per share	$ (0.12)	$ (0.43)	$ (2.01)	$ (3.53)	$ (1.34)
Diluted earnings (loss) per share from:					
Continuing operations	$ (0.12)	$ (0.43)	$ (2.01)	$ (3.45)	$ 0.06
Discontinued operations	-	-	-	(0.08)	(1.40)
Total diluted loss per share	$ (0.12)	$ (0.43)	$ (2.01)	$ (3.53)	$ (1.34)

	February 28, 2011	2010	2009	2008	2007
	(In thousands)				
BALANCE SHEET DATA					
Current assets	$ 38,103	$ 37,490	$ 44,175	$ 66,767	$ 113,524
Current liabilities	$ 32,869	$ 33,095	$ 45,458	$ 40,059	$ 38,637
Working capital	$ 5,234	$ 4,395	$ (1,283)	$ 26,708	$ 74,887
Current ratio	1.2	1.1	1.0	1.7	2.9
Total assets	$ 55,485	$ 56,953	$ 69,647	$ 143,041	$ 229,703
Long-term debt	$ 4,460	$ 4,170	$ -	$ 27,187	$ 31,314
Stockholders' equity	$ 17,602	$ 19,199	$ 23,199	$ 73,420	$ 151,251

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 fiscal 2007, the Company acquired Dataradio Inc. and the TechnoCom MRM product line. In fiscal 2008, the Company acquired the Aercept vehicle tracking business and the Smartlink business.
- In 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 discontinued Solutions business. The $29.9 million impairment charge of fiscal 2007 is included in loss from discontinued operations for that year.

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, 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 2011, 2010 and 2009 fell on February 26, 2011, February 27, 2010, and February 28, 2009, respectively. In these consolidated financial statements, the fiscal year end for all years is shown as February 28 for clarity of presentation. Fiscal years 2011, 2010 and 2009 each consisted of 52 weeks.

Overview

CalAmp Corp. ("CalAmp" or the "Company") develops and markets wireless communications solutions that deliver data, voice and video for critical networked communications and other applications.

The Company's two business segments are Wireless DataCom, which serves utility, governmental and enterprise customers, and Satellite, which focuses on the North American Direct Broadcast Satellite market.

WIRELESS DATACOM

The Wireless DataCom segment provides wireless communications technologies, products and services to the wireless networks and mobile resource management markets for a wide range of applications. CalAmp has expertise in designing and providing applications involving various combinations of private and public (cellular infrastructure) networks, narrow-band and broad-band frequencies, licensed and unlicensed radio spectrum, and mobile and fixed-remote communications. The Company's Wireless DataCom segment is comprised of a Wireless Networks business and a Mobile Resource Management business.

SATELLITE

The Company's DBS reception products have historically been sold 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 $35.9 million, $54.7 million and $26.3 million in fiscal years 2011, 2010 and 2009, respectively. In fiscal years 2010 and 2011, the Company did not make any sales to DirecTV because of pricing and competitive pressures. In light of these factors, at the present time it is uncertain when, or if, the Company will resume product shipments to DirecTV.

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. 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 one customer accounting for almost one-third of the Company's fiscal 2011 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, that 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.

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.

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 that 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. 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.

In 2007, the Company adopted an accounting pronouncement related to Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") Topic 740, “Income Taxes” (formerly FASB Interpretation No. 48, “Accounting for Uncertainty in Income Taxes” (“FIN 48”)) which established a framework for determining the appropriate level of tax reserves to maintain for “uncertain tax positions”. FASB ASC Topic 740 uses a two-step approach in which a tax benefit is recognized if a position is more likely than not to be sustained. The amount of the benefit is then measured as the highest tax benefit that is greater than 50% likely to be realized upon settlement. At February 28, 2011, the Company had unrecognized tax benefits of $1,265,000.

At February 28, 2011, the Company had a net deferred income tax asset balance of $11.8 million. The current portion of this deferred tax asset is $2.0 million and the noncurrent portion is $9.9 million. The net deferred income tax asset balance is comprised of a gross deferred tax asset of $53.0 million and a valuation allowance of $41.2 million.

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

At February 28, 2011, the Company had $4.0 million in other intangible assets on its consolidated balance sheet. The Company believes the estimate of its valuation of long-lived assets 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.

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 determined by a discounted cash flow analysis. 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.

Stock-Based Compensation Expense

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. Forfeitures are 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.

The Company defers revenues from products sold with data communication services because the services are essential to the functionality of the products, and accordingly, the associated product costs are recorded as deferred costs. These deferred amounts are recognized over the minimum contractual term of one year on a straight-line basis. Revenues from renewals of the services after the initial one year term are recognized when services are performed. In certain instances where customers prepay the renewals, such amounts are recorded as deferred revenues and are recognized over future periods in accordance with the renewal term.

The Company also undertakes projects that include the design, development and manufacture of communication systems used in the public safety and transportation sectors 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. Estimated revenues and costs 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 2009 Through 2011

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,		
	2011	2010	2009
Revenues	100.0%	100.0%	100.0%
Cost of revenues	74.1	80.0	61.3
Gross profit	25.9	20.0	38.7
Operating expenses:			
Research and development	9.7	9.8	13.1
Selling	9.2	8.5	9.1
General and administrative	7.7	9.4	12.2
Intangible asset amortization	1.0	1.2	4.5
Impairment loss	-	-	45.5
Operating loss	(1.7)	(8.9)	(45.7)
Other expense, net	(1.3)	(2.0)	(0.9)
Loss before income taxes	(3.0)	(10.9)	(46.6)
Income tax benefit (provision)	0.2	1.2	(3.9)
Net loss	(2.8%)	(9.7%)	(50.5%)

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

REVENUE BY SEGMENT

	Year ended February 28,					
	2011		2010		2009	
	$000s	% of Total	$000s	% of Total	$000s	% of Total
Segment						
Satellite	$ 35,899	31.4%	$ 54,715	48.8%	$ 26,327	26.8%
Wireless DataCom	78,434	68.6%	57,398	51.2%	72,043	73.2%
Total	$ 114,333	100.0%	$ 112,113	100.0%	$ 98,370	100.0%

GROSS PROFIT BY SEGMENT

	Year ended February 28,					
	2011		2010		2009	
	$000s	% of Total	$000s	% of Total	$000s	% of Total
Segment						
Satellite	$ 1,636	5.5%	$ 4,258	19.0%	$ 10,254	26.9%
Wireless DataCom	27,922	94.5%	18,132	81.0%	27,872	73.1%
Total	$ 29,558	100.0%	$ 22,390	100.0%	$ 38,126	100.0%

OPERATING INCOME (LOSS) BY SEGMENT

	Year ended February 28,								
	2011			2010			2009		
	$000s		% of Total Revenue	$000s		% of Total Revenue	$000s		% of Total Revenue
Segment									
Satellite	$	(2,460)	(2.2%)	$	(111)	(0.1%)	$	3,616	3.7%
Wireless DataCom		4,922	4.3%		(5,867)	(5.2%)		(42,206)	(42.9%)
Corporate expenses		(4,522)	(4.0%)		(4,007)	(3.6%)		(6,394)	(6.5%)
Total	$	(2,060)	(1.8%)	$	(9,985)	(8.9%)	$	(44,984)	(45.7%)

Satellite'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 impairment charges aggregating $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.

Fiscal Year 2011 compared to Fiscal Year 2010

Revenue

Satellite revenue declined by $18.8 million, or 34%, to $35.9 million in fiscal 2011 from $54.7 million in fiscal 2010 because of reduced demand for the older generation DBS products that the Company is still producing. The Company recently received product approval from Echostar of a next generation product, and has three other products in development for this customer. On the basis of these new products, the Company expects that its Satellite revenues will improve in fiscal 2012.

Wireless DataCom revenue increased by $21.0 million, or 37%, to $78.4 million in fiscal 2011 compared to $57.4 million in fiscal 2010. The revenue increase was predominantly related to the MRM product line and was attributable to the addition of new customers and growth in orders from existing customers.

Gross Profit and Gross Margins

Satellite gross profit was $1.6 million in fiscal 2011 compared to $4.3 million in the previous year. The decrease in gross profit is primarily attributable to the decrease in revenue. Satellite gross margin decreased to 4.6% in fiscal 2011 from 7.8% in fiscal 2010. The decline in gross margin was primarily due to lower absorption of fixed costs on lower revenue, partially offset by the benefits in fiscal 2011 from (i) $521,000 associated with the sale of Satellite products for which the inventory cost had been written off in a prior year; a partial reversal of a vendor commitment liability due to consumption of materials of $218,000; and (iii) royalty income of $200,000 that had no corresponding cost of revenue.

Wireless DataCom gross profit increased by $9.8 million to $27.9 million in fiscal 2011 compared to $18.1 million in fiscal 2010. Wireless DataCom gross margin improved to 35.6% in fiscal 2011 from 31.6% in fiscal 2010 due primarily to increased absorption of fixed manufacturing costs on higher revenue.

See also Note 12 to the accompanying consolidated financial statements for additional operating data by business segment.

Operating Expenses

Consolidated research and development (“R&D”) expense increased by 2% to $11.1 million in fiscal 2011 from $10.9 million in the previous year. R&D spending as a percent of revenues remained flat at 10%.

Consolidated selling expenses increased from $9.5 million in fiscal 2010 to $10.5 million in fiscal 2011, primarily because of higher incentive and commission expense on the higher Wireless DataCom revenue level, increased salaries expense and higher travel expenses.

Consolidated general and administrative (“G&A”) expense declined by $1.7 million to $8.9 million in fiscal 2011. Legal expense was $847,000 lower in fiscal 2011 than in fiscal 2010 due in part to the Company’s receipt of $230,000 from another company for the reimbursement of legal defense costs incurred in prior years related to a patent infringement claim. Also contributing to the decrease in G&A expense were lower payroll costs due to workforce reductions and other cost cutting actions implemented by the Company.

Amortization of intangibles decreased from $1.4 million in fiscal 2010 to $1.1 million in fiscal 2011. The reduction is attributable to some intangible assets becoming fully amortized during the current fiscal year.

Non-operating Expense

Non-operating expense was $1.4 million for fiscal 2011, compared to $2.2 million for fiscal 2010. The decrease was due to the presence in fiscal 2010 of a $1.0 million loss on the sale of an investment in the preferred stock of a privately held company and a $288,000 foreign currency loss, partially offset by a year-over-year increase in net interest expense of $505,000. The higher interest expense in fiscal 2011 was attributable to the higher effective interest rate on the Company’s borrowings due to the 6% minimum interest on the bank revolving credit facility and the 12% interest on the Subordinated Notes in the principal amount of $5 million, as well as interest expense from amortization of debt issue costs and debt discount as discussed in Note 5 to the accompanying consolidated financial statements.

Income Tax Benefit

The tax benefit of $172,000 in fiscal 2011 was related to the carryback of net operating losses of the Company’s French subsidiary.

The tax benefit of $1.4 million in fiscal 2010 was related to the reversal of an uncertain tax position which was resolved. This uncertain tax position reversal was recorded as an income tax benefit because the benefit had been recognized in the applicable income tax returns but had not previously been recognized in the consolidated statement of operations.

No other tax benefit was recorded in fiscal 2011 and 2010 because future realizability of such tax benefits is not considered to be more likely than not.

Fiscal Year 2010 compared to Fiscal Year 2009

Revenue

Satellite revenue increased $28.4 million, or 108%, to $54.7 million in fiscal 2010 from $26.3 million in fiscal 2009. The Company's historically largest DBS customer put on hold all orders with the Company in late May 2007, including orders for newer generation products, pending a requalification of all products manufactured by CalAmp 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. Revenues from this DBS customer were $39.1 million higher for fiscal 2010 compared to the previous year. However, there were no sales to the Company's other U.S. DBS service provider in fiscal 2010 compared to sales of $10.2 million in the previous year due to pricing and competitive pressures on older generation products and the time required to get the next generation products qualified with this customer.

Wireless DataCom revenue declined by $14.6 million, or 20%, to $57.4 million in fiscal 2010 compared to $72.0 million in fiscal 2009. The decrease in revenue is due to lower sales by the Wireless DataCom business units as the result of the global economic downturn.

Gross Profit and Gross Margins

Satellite gross profit was $4.3 million in fiscal 2010 compared to $10.3 million in the previous year. 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 a 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. The increase in gross profit in fiscal 2010 compared to the previous year (after excluding the aforementioned benefits) was due primarily to higher satellite revenue.

Wireless DataCom gross profit decreased 35% to $18.1 million in fiscal 2010, compared to $27.9 million in fiscal 2009. Wireless DataCom gross margin decreased to 31.6% in fiscal 2010 from 38.7% in fiscal 2009, due primarily to the decline in revenue and partly to the $1.5 million patent sale in fiscal 2009 for which there was no associated cost. Excluding the patent sale, Wireless DataCom gross margin was 37.4% in fiscal 2009.

See also Note 12 to the accompanying consolidated financial statements for additional operating data by business segment.

Operating Expenses

Consolidated R&D expense decreased by $2.0 million to $10.9 million in fiscal 2010 from $12.9 million in fiscal 2009. This decrease was primarily due to personnel reductions in the Wireless Networks business unit of the Wireless DataCom segment.

Consolidated selling expenses increased from $9.0 million in fiscal 2009 to $9.5 million in fiscal 2010, primarily because selling expenses in fiscal 2009 were benefited by bad debt reserve reductions of $927,000 related to a Wireless DataCom customer.

Consolidated G&A decreased from $12.1 million in fiscal 2009 to $10.5 million in fiscal 2010 due to cost reduction actions implemented by the Company. Other factors contributing to the decrease were: (i) a $247,000 decrease in legal expense in fiscal 2010 compared to fiscal 2009; and (ii) a $303,000 charge for severance costs of the Company's former Satellite Division president in fiscal 2009. Partially offsetting the effect of these year-over-year expense reductions in G&A was an increase of $552,000 in stock-based compensation expense because the G&A in fiscal 2009 included a reduction of stock compensation expense as the result of the forfeiture of unvested stock options upon the resignation of the Company's former President and Chief Executive Officer in March 2008.

Amortization of intangibles decreased from $4.4 million in fiscal 2009 to $1.4 million in fiscal 2010. These reductions are attributable to the lower carrying value of intangible assets as a result of the impairment write-down recorded in the fourth quarter of fiscal 2009.

Non-operating Expense

Non-operating expense was $2.2 million for fiscal 2010, compared to $0.9 million for fiscal 2009. The increase was due to the loss on the sale of an investment in the preferred stock of a privately held company of $1.0 million in fiscal 2010 and a $288,000 foreign currency loss also in fiscal 2010, compared to a foreign currency gain of $177,000 gain in fiscal 2009. These losses were partially offset by a decrease in net interest expense of $151,000 as a result of lower average outstanding bank debt during fiscal 2010.

Income Tax Benefit (Provision)

The income tax benefit of $1.4 million in fiscal 2010 was related to the reversal of an uncertain tax position which was resolved. This uncertain tax position reversal was recorded as an income tax benefit because the benefit had been recognized in the applicable income tax returns but had not previously been recognized in the consolidated statement of operations. No other tax benefit was recorded in fiscal 2010 because future realizability of such tax benefits is not considered to be more likely than not. An income tax provision of $3.8 million was recorded in fiscal 2009 because the Company had taxable income after excluding that portion of the fiscal 2009 impairment loss that was not deductible for income taxes.

Liquidity and Capital Resources

The Company's primary sources of liquidity are its cash and cash equivalents, which amounted to $4,241,000 at February 28, 2011, and the working capital line of credit with Square 1 Bank. During fiscal year 2011, cash and cash equivalents increased by $1,255,000. Cash was provided by operations in the amount of $857,000, net borrowings on the bank line of credit of $1,588,000 and collections on a note receivable of $428,000, partially offset by capital expenditures of $1,245,000 and employee withholding taxes paid related to net share settlement of vested equity awards of $405,000.

On December 22, 2009, the Company entered into a Loan and Security Agreement (the "Loan Agreement") with Square 1 Bank. This revolving credit facility expires on December 22, 2011 and provides for borrowings up to the lesser of $12 million or 85% of the Company's eligible accounts receivable. Outstanding borrowings under this facility bear interest at Square 1 Bank's prime rate plus 2.0%, subject to minimum interest of 6.0% per annum or $20,000 per month, whichever is greater. Interest is payable on the last day of each calendar month. The Company paid a loan fee of $120,000 to Square 1 Bank in connection with this credit facility. At February 28, 2011, the Company had outstanding borrowings under this facility of $7,489,000, and the amount available to borrow at that date amounted to $3,815,000.

The Loan Agreement contains a financial covenant that requires the Company to maintain minimum levels of earnings before interest, income taxes, depreciation, amortization and other noncash charges ("EBITDA"). The Loan Agreement also provides for a number of standard events of default, including a provision that a material adverse change constitutes an event of default that permits the lender, at its option, to accelerate the loan. Among other provisions, the Loan Agreement also requires a lock-box and cash collateral account whereby cash remittances from the Company's customers are directed to the cash collateral account and which amounts are applied to reduce the revolving loan principal balance. Borrowings under the Loan Agreement are secured by substantially all of the assets of the Company and its domestic subsidiaries.

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, 2011 (in thousands):

	Payments Due by Period				
Contractual Obligations	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
Bank line of credit principal	$ 7,489	$ -	$ -	$ -	$ 7,489
Minimum contractual interest on bank line of credit	194	-	-	-	194
Subordinated notes principal	-	5,000	-	-	5,000
Subordinated notes interest	600	585	-	-	1,185
Operating leases	1,785	1,749	1,584	285	5,403
Purchase obligations	20,596	-	-	-	20,596
Total contractual obligations	$ 30,664	$ 7,334	$ 1,584	$ 285	$ 39,867

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

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Currency Risk

The Company has international operations, giving rise to exposure to market risks from changes in foreign exchange rates. A cumulative foreign currency translation loss of $866,000 related to the Company's Canadian and French subsidiaries is included in accumulated other comprehensive loss in the stockholders' equity section of the consolidated balance sheets at February 28, 2011 and 2010. Foreign currency gains (losses) included in the consolidated statements of operations were $40,000, $(288,000) and $177,000 in fiscal 2011, 2010 and 2009, respectively.

Interest Rate Risk

The Company has variable-rate bank debt. A fluctuation of one percent in the interest rate on the $12 million revolving credit facility with Square 1 Bank would have an annual impact of approximately $70,000 net of tax on the Company's consolidated statement of operations assuming that the full amount of the facility was borrowed. The Subordinated Notes in the aggregate principal amount of $5,000,000 bear a fixed rate of interest of 12% and hence are not subject to interest rate risk.

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 sheets of CalAmp Corp. and subsidiaries as of February 28, 2011 and 2010, and the related consolidated statements of operations, stockholders' equity and comprehensive loss, and cash flows for each of the three years in the period ended February 28, 2011. 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 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. The Company is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended February 28, 2011 in conformity with U.S. generally accepted accounting principles.

SINGERLEWAK LLP

/s/ SINGERLEWAK LLP

Los Angeles, California
April 28, 2011

CALAMP CORP.
CONSOLIDATED BALANCE SHEETS
(In thousands, except par value)

	February 28, 2011	2010
Assets		
Current assets:		
Cash and cash equivalents	$ 4,241	$ 2,986
Accounts receivable, less allowance for doubtful accounts of $290 and $413 at February 28, 2011 and 2010, respectively	16,814	16,520
Inventories	9,890	10,608
Deferred income tax assets	1,961	2,656
Prepaid expenses and other current assets	5,197	4,720
Total current assets	38,103	37,490
Property, equipment and improvements, net of accumulated depreciation and amortization	1,877	2,055
Deferred income tax assets, less current portion	9,887	10,017
Intangible assets, net	4,012	5,144
Other assets	1,606	2,247
	$ 55,485	$ 56,953
Liabilities and Stockholders' Equity		
Current liabilities:		
Bank working capital line of credit	$ 7,489	$ 5,901
Accounts payable	14,103	16,186
Accrued payroll and employee benefits	3,341	2,742
Deferred revenue	5,796	4,740
Other current liabilities	2,140	3,526
Total current liabilities	32,869	33,095
Long-term debt	4,460	4,170
Other non-current liabilities	554	489
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; 28,147 and 27,662 shares issued and outstanding at February 28, 2011 and 2010, respectively	281	277
Additional paid-in capital	153,135	151,453
Accumulated deficit	(134,948)	(131,665)
Accumulated other comprehensive loss	(866)	(866)
Total stockholders' equity	17,602	19,199
	$ 55,485	$ 56,953

See accompanying notes to consolidated financial statements.

CALAMP CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)

	Year Ended February 28, 2011	2010	2009
Revenues	$ 114,333	$ 112,113	$ 98,370
Cost of revenues	84,775	89,723	60,244
Gross profit	29,558	22,390	38,126
Operating expenses:			
Research and development	11,125	10,943	12,899
Selling	10,503	9,542	8,959
General and administrative	8,858	10,523	12,087
Intangible asset amortization	1,132	1,367	4,429
Impairment loss	-	-	44,736
Total operating expenses	31,618	32,375	83,110
Operating loss	(2,060)	(9,985)	(44,984)
Non-operating income (expense):			
Interest expense, net	(1,445)	(940)	(1,091)
Loss on sale of investment	-	(1,008)	-
Other income (expense), net	50	(292)	180
Total non-operating expense	(1,395)	(2,240)	(911)
Loss before income taxes	(3,455)	(12,225)	(45,895)
Income tax benefit (provision)	172	1,374	(3,770)
Net loss	$ (3,283)	$ (10,851)	$ (49,665)
Total basic and diluted loss per share	$ (0.12)	$ (0.43)	$ (2.01)
Shares used in computing basic and diluted loss per share:	27,181	25,309	24,765

See accompanying notes to consolidated financial statements.

CALAMP CORP.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
AND COMPREHENSIVE LOSS
(In thousands)

	Common Stock Shares	Amount	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
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)
Stock-based compensation expense			1,268			1,268
Issuance of shares for restricted stock awards	222	2	(2)			-
Shares retained on net share settlement of equity awards	(62)	-	(140)			(140)
Exercise of stock options	16	-	-			-
Other			(563)			(563)
Balances at February 28, 2009	25,217	252	144,881	(120,814)	(1,120)	23,199
Net loss				(10,851)		(10,851)
Foreign currency translation adjustments					254	254
Comprehensive loss						(10,597)
Stock-based compensation expense			1,981			1,981
Issuance of shares for restricted stock awards	583	7	(7)			-
Shares retained on net share settlement of equity awards	(71)	(1)	(122)			(123)
Exercise of stock options	1	-	1			1
Sale of stock	1,932	19	3,948			3,967
Issuance of warrants			870			870
Other			(99)			(99)
Balances at February 28, 2010	27,662	277	151,453	(131,665)	(866)	19,199
Net loss and comprehensive loss				(3,283)		(3,283)
Stock-based compensation expense			2,109			2,109
Issuance of shares for restricted stock awards	655	6	(6)			-
Shares retained on net share settlement of equity awards	(170)	(2)	(403)			(405)
Other			(18)			(18)
Balances at February 28, 2011	28,147	$ 281	$ 153,135	$ (134,948)	$ (866)	$ 17,602

See accompanying notes to consolidated financial statements.

CALAMP CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended February 28, 2011	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	$ (3,283)	$ (10,851)	$ (49,665)
Adjustments to reconcile net loss			
to net cash provided by operating activities:			
Depreciation and amortization	2,543	2,522	6,549
Stock-based compensation expense	2,109	1,981	1,268
Amortization of debt issue costs and discount	536	-	-
Impairment loss	-	-	44,736
Loss on sale of investment	-	1,008	-
Deferred tax assets, net	807	39	3,373
Other	(20)	104	-
Changes in operating assets and liabilities:			
Accounts receivable	(294)	(2,780)	6,288
Inventories	718	4,626	9,442
Prepaid expenses and other assets	(510)	42	2,679
Accounts payable	(2,083)	10,764	(5,453)
Accrued liabilities	(722)	(5,991)	(4,921)
Deferred revenue	1,056	1,131	(396)
NET CASH PROVIDED BY OPERATING ACTIVITIES	857	2,595	13,900
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(1,245)	(1,066)	(831)
Proceeds from sale of property and equipment	32	2	-
Proceeds from sale of investment	-	992	-
Collections on note receivable	428	325	465
Acquisition of Smartlink	-	-	296
Acquisition of TechnoCom product line	-	-	(1,183)
Other	-	(38)	(188)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(785)	215	(1,441)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from borrowings on lines of credit	1,588	7,551	-
Proceeds from issuance of subordinated debt and warrants	-	5,000	-
Net proceeds from sale of common stock	-	3,967	-
Debt repayments	-	(22,728)	(11,452)
Payment of debt issue costs	-	(544)	-
Taxes paid related to net share settlement of equity awards	(405)	(123)	(140)
Proceeds from exercise of stock options	-	1	-
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	1,183	(6,876)	(11,592)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	-	139	(542)
Net change in cash and cash equivalents	1,255	(3,927)	325
Cash and cash equivalents at beginning of year	2,986	6,913	6,588
Cash and cash equivalents at end of year	$ 4,241	$ 2,986	$ 6,913

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") develops and markets wireless communications solutions that deliver data, voice and video for critical networked communications and other applications. The Company's two business segments are Wireless DataCom, which serves utility, governmental and enterprise customers, and Satellite, which focuses on the North American Direct Broadcast Satellite market.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company (a Delaware corporation) and its subsidiaries, all of which are wholly-owned. 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 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 2011, 2010 and 2009 fell on February 26, 2011, February 27, 2010, and February 28, 2009, respectively. In these consolidated financial statements, the fiscal year end for all years is shown as February 28 for clarity of presentation. Fiscal years 2011, 2010 and 2009 each consisted of 52 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. Customers do not have rights of return except for defective products returned during the warranty period.

The Company defers revenues from products sold with data communication services because the services are essential to the functionality of the products, and accordingly, the associated product costs are recorded as deferred costs. These deferred amounts are recognized on a straight-line basis over the minimum contractual service period of one year. Revenues from renewals of airtime services after the initial one year term are recognized as the services are provided. When customers prepay the airtime renewals, such amounts are recorded as deferred revenues and are recognized over the renewal term.

The Company also undertakes projects that include the design and development of communication systems used in the public safety and transportation sectors 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. 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.

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. Customers that accounted for 10% or more of consolidated annual revenues in any one of the last three years are as follows:

	Year ended February 28,		
Customer	2011	2010	2009
A	31.0%	48.6%	15.7%
B	-	-	10.3%

Customers that accounted for 10% or more of consolidated net accounts receivable in any one of the last two years are as follows:

	February 28,	
Customer	2011	2010
A	27.6%	47.9%
C	12.4%	-

Customers A and B are customers of the Company's Satellite segment. Customer C is a customer of the Company’s Wireless DataCom segment.

A substantial portion of the Company’s inventory is purchased from one supplier, which functions as an independent foreign procurement agent, and accounted for 49% and 51% of Company's total inventory purchases in fiscal 2011 and 2010, respectively. As of February 28, 2011, this supplier accounted for 63% of the Company's total accounts payable.

Some of the Company's components, assemblies and electronic manufacturing services are purchased from sole source suppliers.

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.

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 credit. The deferred credit is then amortized on a straight-line basis over the lease term as a reduction of rent expense.

Intangible Assets

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

The Company reviews property and equipment and other long-lived assets 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.

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.

Debt - The estimated fair value of the Company's bank debt approximates the carrying value of such debt because the interest rate is variable and is market-based. The estimated fair value of the Company's 12% subordinated promissory notes due December 22, 2012 approximates the carrying value of this debt, such carrying value consisting of the $5 million face amount of the notes less a debt discount comprised of the unamortized fair value of the stock purchase warrants that were issued with the notes.

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. Warranty reserve is included in Other Current Liabilities in the balance sheets. See Note 9 for a table of annual increases in and reductions of the warranty reserve 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. 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.

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 loss will remain unchanged for such time that the French subsidiary continues to be part of the Company's consolidated financial statements.

The Company's Canadian subsidiary changed its functional currency from the Canadian dollar to the U.S. dollar effective at the end of fiscal 2010. The cumulative foreign currency translation loss of $65,000 that is included in accumulated other comprehensive loss will remai