

Edgar Filing: CalAmp Corp. - Form 10-K

CalAmp Corp.
Form 10-K
May 17, 2007

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, 2007

COMMISSION FILE NUMBER: 0-12182

CALAMP CORP.
(Exact name of Registrant as specified in its Charter)

Delaware 95-3647070
State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

1401 N. Rice Avenue 93030
Oxnard, California (Zip Code)
(Address of principal executive offices)

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 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 [X]

Indicate by check mark whether the registrant is a large accelerated filer,

Edgar Filing: CalAmp Corp. - Form 10-K

an accelerated filer, or a non-accelerated filer. (Check one): Large accelerated filer [] Accelerated filer [X] Non-accelerated filer []

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 31, 2006 was approximately \$149,259,000. As of May 1, 2007, there were 23,626,466 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 August 1, 2007 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"), formerly known as California Amplifier, Inc., is a provider of wireless communications products that enable anytime/anywhere access to critical information, data and entertainment content. CalAmp is a leading supplier of direct broadcast satellite (DBS) outdoor customer premise equipment to the U.S. satellite television market. The Company also provides wireless data communication solutions for the telemetry and asset tracking markets, private wireless networks, public safety communications and critical infrastructure and process control applications.

The Company's DBS reception products are sold primarily to the two U.S. DBS system operators, EchoStar Communications Corporation and DirecTV Group Inc., for incorporation into complete subscription satellite television systems. The Company sells its other wireless access products directly to system operators as well as through distributors and system integrators.

On May 26, 2006 the Company acquired privately held Dataradio Inc., a leading supplier of proprietary advanced mobile and fixed wireless data communication systems, products, and solutions for public safety, critical infrastructure and industrial control applications, for a cash payment of Canadian \$60.1 million, or U.S. \$54.3 million at the effective exchange rate. Dataradio has a diversified customer base with no single customer accounting for more than 10% of Dataradio's total revenue. Dataradio has approximately 175 employees in facilities located in Montreal, Minnesota and Georgia. The Dataradio acquisition expanded CalAmp's wireless data communications business while furthering the Company's strategic goals of diversifying its customer base and expanding its product offerings into higher-margin growth markets. Dataradio's results of operations are included in CalAmp's fiscal 2007 results of operations for the 40-week period from the date of acquisition through the end of fiscal 2007, during which Dataradio generated revenue of \$22.8 million and gross profit of \$11.6 million. In connection with the acquisition of Dataradio, the Company recorded a charge of \$6,850,000 to write-off in-process research and development costs of the acquired business as part of the purchase price allocation.

Edgar Filing: CalAmp Corp. - Form 10-K

Also on May 26, 2006, the Company acquired the Mobile Resource Management (MRM) product line from privately held TechnoCom Corporation for \$2.4 million in cash and an earn-out payment equal to revenues in excess of \$3,100,000 during the 12-month period following the acquisition. This product line, which is used to help track fleets of cars and trucks, generated approximately \$4 million in revenue in the 12-month period ended April 30, 2006. Sales of the MRM product line are included in CalAmp's fiscal 2007 results of operations for the 40-week period from the date of acquisition through the end of fiscal 2007, during which this product line contributed revenue of \$4.3 million and gross profit of \$1.6 million.

In April 2005, the Company acquired the business and certain assets of Skybility, a privately held company located in Carlsbad, California, pursuant to an Asset Purchase Agreement dated April 18, 2005. Skybility is a developer and supplier of embedded cellular transceivers used in telemetry and asset tracking applications that operate on the Advanced Mobile Phone Service (AMPS) analog network using Global Positioning Satellite (GPS) technology. The Skybility business operates as the Machine-to-Machine ("M2M") product line of the Company's Products Division.

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

The Company uses a 52-53 week fiscal year ending on the Saturday closest to February 28, which for fiscal years 2007, 2006 and 2005 fell on March 3, 2007, February 25, 2006 and February 26, 2005, respectively. In these consolidated financial statements, the fiscal year end for all years is shown as February 28 for clarity of presentation. Fiscal 2007 consisted of 53 weeks, while fiscal years 2006 and 2005 each consisted of 52 weeks.

RECENT DEVELOPMENTS

In March 2007, subsequent to the end of fiscal 2007, the Company split the Products Division into two separate operating units: the Satellite Division and the Wireless DataCom Division. The Satellite Division consists of the Company's DBS business, and the Wireless DataCom Division consists of the remaining businesses of the Products Division, including Dataradio, MRM, M2M and CalAmp's legacy wireless businesses other than DBS. The Company plans to use these two new divisions, and the existing Solutions Division, as its reporting segments commencing with the fiscal 2008 first quarter ending May 31, 2007. In this Form 10-K and the accompanying consolidated financial statements, the Company has presented its operations using the Products Division and the Solutions Division, the two reporting segments that existed through fiscal 2007, which is consistent with how management evaluated operating performance.

Edgar Filing: CalAmp Corp. - Form 10-K

On March 16, 2007, the Company acquired Aircept, a vehicle tracking business, from AirIQ Inc., a Canadian company ("AirIQ"), for cash consideration of \$19 million. The source of funds for the purchase price was the Company's cash on hand. Aircept's business involves the sale of Global Positioning Satellite (GPS) and cellular-based wireless asset tracking products and services to vehicle lenders that specialize in automobile financing for high credit risk individuals. Aircept, which has approximately 35 employees, will become part of the Company's new Wireless DataCom Division. Aircept had revenues of approximately \$15 million and a gross profit margin of approximately 35% during calendar 2006.

On April 4, 2007, the Company acquired the business and substantially all the assets of SmartLink Radio Networks, a privately-held company, for \$8.1 million cash. The source of funds for the purchase price was the Company's cash on hand. Smartlink provides proprietary interoperable radio communications platforms and integration services for public safety and critical infrastructure needs. Based on a software defined switch, SmartLink's platform provides interoperability without the need to replace the installed base of land mobile radios. SmartLink generated unaudited revenues of approximately \$2.9 million during the trailing 12 month period ended March 31, 2007. SmartLink is currently in the process of deploying its platform for several significant customers including Solano County, Calif., the U.S. Department of Justice in San Francisco and Grand Bahama Power Company. Depending on the size and scope of a deployment, a SmartLink system sale generates revenues in the range of one hundred thousand dollars to several million dollars. CalAmp will transition SmartLink's operations in Connecticut to its Dataradio facilities in Montreal, Canada and Atlanta, Georgia over the next several months. Smartlink will become part of the Company's new Wireless DataCom Division.

As further described in Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations under the caption "Recent Developments", on May 16, 2007, the Company filed a lawsuit against one of its component suppliers related to the quality of materials used in one of the Company's DBS products that it has manufactured for about two and one-half years. The Company believes that this material quality issue resulted in field performance issues of certain DBS products shipped by the Company during calendar years 2004 to 2006. The Company is currently working with its affected DBS customer to mitigate the impact of these field performance failures and to identify and implement a corrective action. The Company believes that this matter will adversely affect its sales volume with this DBS customer for fiscal 2008 and possibly beyond.

PRODUCTS DIVISION

The Products Division develops, manufactures and sells devices and systems utilizing wireless technology that receive television programming transmitted from satellites and terrestrial transmission towers or that provide connectivity for access to critical information, data and entertainment content.

The Products Division currently generates most of its revenue from the sale of DBS outdoor reception equipment, with such sales accounting for approximately 73%, 86% and 95% of total Products Division revenues in fiscal years 2007, 2006 and 2005, respectively. Revenue of the Company's Products Division amounted to \$213.2 million, \$196.9 million and \$194.8 million in fiscal years 2007, 2006 and 2005, respectively. The Company believes that DBS reception equipment will continue to be a significant portion of its overall revenue for the foreseeable future.

The Company's DBS reception products are installed at subscribers' premises to receive subscription television programming signals that are

Edgar Filing: CalAmp Corp. - Form 10-K

transmitted from orbiting satellites. These DBS reception products consist principally of reflector dish antennae, feedhorns, and electronics which receive, process and amplify satellite television signals for distribution over coaxial cable into the building. The dish antenna reflects the satellite microwave signal back to a focal point where a feedhorn collects the microwaves and transfers the signals into an integrated amplifier/downconverter that is referred to in the satellite industry as a Low Noise Block Downconverter with Feed ("LNBF"). The microwave amplifier boosts the signal for further processing. The downconverter reduces the signal from a microwave frequency into a lower intermediate frequency that is transmitted over coaxial cable and that a satellite television receiver can acquire, recognize and process to create a picture.

Historically, the Company's DBS business has experienced some seasonality. The Company's third fiscal quarter ending November 30 tends to be the strongest sales period for this business because the DBS service providers typically are building up their inventory levels in advance of the year-end holiday season when acquisition of new subscribers is higher. The Company's fourth fiscal quarter ending February 28 tends to be the weakest sales period for this business because the DBS service providers typically are reducing their purchases to work down inventory levels following the year-end holiday season. Notwithstanding this, in some years these seasonal patterns may be overshadowed by the timing of new product introductions, the phase-out of older generation products, the service providers' reallocation of purchasing volume among several suppliers, or by other factors.

The M2M product line of the Company's Products Division operates in the Machine-to-Machine industry that focuses on connecting machines to other machines, which can range from simple sensors to complex machines and computer servers. The connectivity is achieved using wired and wireless networks, including, but not limited to, cellular wide area networks, wireless local area networks, satellite, ethernet, telephone, and the Internet. Control and monitoring of remote devices are typically the purpose of M2M applications. Controlling thermostats for demand-side energy management, monitoring fuel/liquid storage tanks, locating or tracking a car or other mobile asset, utility meter reading and control, and monitoring of an alarm panel are all examples of M2M applications. M2M applications typically increase efficiency and lower costs for their owners by providing critical data in real or near real time. By leveraging the Internet and cellular infrastructure, M2M applications can typically be monitored globally from anywhere an Internet connection can be made. With the continued growth in wireless network deployments, the Company believes that wireless M2M applications will be increasingly desired for their relative ease of deployment and geographic accessibility. CalAmp's M2M product line includes wireless modules compatible with cellular wide area networks that enable network connectivity for machines. CalAmp also provides design, system integration and manufacturing services for M2M products.

Dataradio designs, manufactures and sells a broad range of wireless data products used in private wireless networks for both fixed and mobile applications. These products are sold to city and county governments for public safety applications such as 911 emergency response systems, and to utilities, oil and gas companies and transportation companies for critical infrastructure and industrial monitoring and control applications. Dataradio's products include wireless modems, base stations, network routers and supporting software.

The TechnoCom MRM business designs and manufactures GPS-based tracking devices used by commercial and government fleets to remotely manage their assets. These devices communicate via public wireless networks and are distributed on an OEM basis to application service providers and system integrators offering mobile resource management solutions. In addition, the

Edgar Filing: CalAmp Corp. - Form 10-K

business offers a backend device management system to minimize support and service costs and also sophisticated unit firmware providing a greater range of vehicle information and communication capabilities.

SOLUTIONS DIVISION

The Company's Solutions Division provides software applications for urgent messaging and media content delivery. The urgent messaging software product, known as TelAlert, provides mission-critical communication applications for network monitoring, enterprise management, help desk, dispatch and call center systems. The media content delivery application is known as CalAmp Media Manager. The Solutions Division accounted for 4%, 9% and 11% of consolidated revenue in fiscal years 2007, 2006 and 2005, respectively.

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

MANUFACTURING

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

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

Satellite dish antennas are manufactured on a subcontract basis by metal fabrication companies in the U.S and China. In addition, some of the Company's satellite LNBF products are manufactured on a subcontract basis by companies in Taiwan and mainland China.

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

ISO 9001 INTERNATIONAL CERTIFICATION

The Company became registered to ISO 9001:1994 in 1995, and upgraded its registration to ISO9001:2000 in 2003. ISO 9001:2000 is the widely recognized international standard for quality management in product design, manufacturing, quality assurance and marketing. The Company believes that ISO certification is important to its business because most of the Company's key customers expect their suppliers to have and maintain ISO certification. The registration assessment was performed by Underwriter's Laboratory, Inc.

Edgar Filing: CalAmp Corp. - Form 10-K

according to the ISO 9001:2000 International Standard. Continuous assessments to maintain certification are performed semi-annually, and the Company has maintained its certification through each audit evaluation, most recently in April 2007. In addition, the Company conducts internal audits of processes and procedures on a quarterly basis. The Company believes that the loss of its ISO certification could have a material adverse effect on its operations, and the Company can provide no assurance that it will be successful in continuing to maintain such certification.

RESEARCH AND DEVELOPMENT

Each of the markets the Company competes in 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, M2M applications and public safety data communication systems. In addition, development resources were allocated to broaden existing product lines, reduce product costs and improve performance through product redesign efforts.

Research and development expenses in fiscal years 2007, 2006 and 2005 were \$15,015,000, \$9,109,000 and \$8,320,000, respectively. During this three year period the Company's research and development expenses have ranged between 3.8% and 6.8% of annual consolidated revenues.

SALES AND MARKETING

The Company's revenues were derived mainly from customers in the United States, which represented 94%, 95% and 97% of consolidated revenues in fiscal 2007, 2006 and 2005, respectively.

The Products Division sells its satellite reception products primarily to the two DBS system operators in the U.S. for incorporation into complete subscription satellite television systems. Other wireless access products are sold directly to system operators as well as through distributors and system integrators.

The sales and marketing functions for the Products Division are located primarily at the Company's corporate headquarters location in Oxnard, California. In addition, the Products Division has a small sales office in Europe. The M2M and MRM product lines of the Products Division have offices in Carlsbad, California. The sales and marketing functions for Dataradio are located in Montreal, Atlanta and Waseca, Minnesota. The sales and marketing functions for the Solutions Division are located in San Diego and Oakland.

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

Customer	Segment	Year ended February 28,		
		2007	2006	2005
Echostar	Products	48.2%	55.5%	43.4%
DirectTV	Products	18.0%	13.7%	17.1%

Echostar Communications Corporation owns and operates the DISH satellite television service in the U.S. DirecTV Group Inc. is the largest satellite television service provider in the U.S. The Company believes that the loss of either Echostar or DirecTV as a customer could have a material adverse effect on the Company's financial position and results of operations.

COMPETITION

Edgar Filing: CalAmp Corp. - Form 10-K

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.

Products Division:

The Company believes that its existing principal competitors for its DBS products business include Sharp, Wistron NeWeb Corporation, Winegard Company, Andrew Corporation, Microelectronics Technology, Inc., Funai and Pro Brand. Based on information announced quarterly by the U.S. DBS system operators as to the total number of subscribers and the subscriber turnover rate, the Company believes that it is a leading supplier of outdoor subscriber premise equipment to the U.S. DBS television industry. Because the Company's satellite products are not proprietary, it is possible that they may be duplicated by low-cost producers, resulting in price and margin pressures. The Company believes that the principal competitors for its non-DBS wireless products include Motorola, M/A-COM, IPMobilnet, MDS, Freewave, GenX, Sierra Wireless, Transystem Inc. and Niigata Seimitsu.

Solutions Division:

The Solutions Division's TelAlert urgent messaging software product competes against companies such as AlarmPoint Systems and MIR3, both of which are privately held companies.

BACKLOG

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

INTELLECTUAL PROPERTY

Products Division:

In the Company's DBS business, the Company's timely application of its technology and its design, development and marketing capabilities have been of substantially greater importance to its business than patents or licenses. However, patents and licenses are of significant importance in most of the Product Division's other business operations.

At February 28, 2007, the Products Division had 27 patents ranging from design features for downconverter and antenna products to its MultiCipher broadband scrambling system. Those that relate to its downconverter products do not give the Company any significant advantage since other manufacturers using different design approaches can offer similar microwave products in the marketplace. In addition to its awarded patents, the Products Division has one patent application pending.

Edgar Filing: CalAmp Corp. - Form 10-K

Solutions Division:

The Solutions Division relies primarily on a combination of trademark, copyright, service mark, trade secret laws and contractual restrictions to establish and protect proprietary rights in the Solutions Division's products and services.

Use by customers of the Solutions Division's software is governed by executed license agreements. The Solutions Division also enters into written agreements with each of its resellers for the distribution of its software. In addition, the Solutions Division seeks to avoid disclosure of trade secrets by requiring each of its employees and others with access to proprietary information to execute confidentiality agreements. The Solutions Division protects its software, documentation and other written materials under trade secret and copyright laws, which afford only limited protection.

CalAmp(R) is a federally registered trademark of the Company.

EMPLOYEES

At February 28, 2007, the Company had approximately 440 employees and approximately 140 contracted production workers. None of the Company's employees are represented by a labor union. The contracted production workers are engaged through independent temporary labor agencies in California.

EXECUTIVE OFFICERS

The executive officers of the Company are as follows:

NAME	AGE	POSITION
-----	---	-----
Fred Sturm	49	Director, President and Chief Executive Officer
Michael Burdiek	47	President, Wireless DataCom Division
Patrick Hutchins	44	President, Satellite Division and Chief Operations Officer
Garo Sarkissian	40	Vice President, Corporate Development
Richard Vitelle	53	Vice President, Finance, Chief Financial Officer and Corporate Secretary

FRED STURM was appointed Chief Executive Officer, President and Director in August 1997. Prior to joining the Company from 1990 to 1997, Mr. Sturm was President of Chloride Power Systems (USA), and Managing Director of Chloride Safety, Security, and Power Conversion (UK), both of which are part of Chloride Group, PLC (LSE: CHLD). From 1979 to 1990, he held a variety of general management positions with M/A-Com and TRW Electronics, which served RF and microwave markets.

MICHAEL BURDIEK joined the Company as Executive Vice President in June 2006 and was appointed President of the Company's new Wireless DataCom Division on March 15, 2007. 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 various firms in the Private Equity sector. From 1987 to 2004, Mr. Burdiek held a variety of technical and general

Edgar Filing: CalAmp Corp. - Form 10-K

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. Burdick began his career as a design engineer with Hughes Aircraft Company.

PATRICK HUTCHINS joined the Company as Vice President, Operations in August 2001, and was appointed President of the Company's Products Division in April 2004. On March 15, 2007, in conjunction with a realignment of the Company's internal operating structure, Mr. Hutchins was appointed President of the Company's new Satellite Division and Chief Operations Officer. From March 1997 until joining the Company, Mr. Hutchins served in general management capacities with several units of Chloride Group PLC and Genlyte Thomas LLC, most recently serving as the President and General Manager of Chloride Systems, a division of Genlyte Thomas.

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 entrepreneurial 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 industry leading power products over a span of 10 years for M/A Com (Tyco) and NEC.

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

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

AVAILABLE INFORMATION

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

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

ITEM 1A. RISK FACTORS

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

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

Edgar Filing: CalAmp Corp. - Form 10-K

The Company's top two customers, Echostar and DirectTV, accounted for 48.2% and 18.0%, respectively, of the Company's total net sales for fiscal 2007. Echostar and DirectTV in the aggregate accounted for 69.2% of CalAmp's total net sales for fiscal 2006 and 60.5% of its total net sales for fiscal 2005. The loss of either Echostar or DirectTV as a customer, a deterioration in the overall business of either of them, or a decrease in the volume of sales by either of them, could result in decreased sales and could have a material adverse impact on CalAmp's ability to grow its DBS business. A substantial decrease or interruption in business from any of the Company's significant customers could result in write-offs or in the loss of future business and could have a material adverse effect on the Company's business, financial condition or results of operations.

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

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

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

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

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

Multiple factors beyond the Company's control may cause fluctuations in our operating results and may cause our business to suffer.

The revenues and results of our operations may fluctuate significantly, depending on a variety of factors, including the following:

- * our dependence on a few major customers in our satellite products business that currently account for a substantial majority of our overall sales;
- * the introduction of new products and services by competitors;
and
- * seasonality in the equipment market for the U.S. DBS subscription television industry.

Edgar Filing: CalAmp Corp. - Form 10-K

We will not be able to control many of these factors. In addition, if our revenues in a particular period do not meet expectations, we may not be able to adjust our expenditures in that period, which could cause our business to suffer.

Our business is subject to many factors that could cause the Company's quarterly or annual operating results to fluctuate and its 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 price of products offered by our competitors;
- * our ability to achieve cost reductions;
- * our ability to obtain sufficient supplies of sole or limited source components for our products;
- * our ability to achieve and maintain production volumes and quality levels for our products;
- * our ability to maintain the volume of products sold and the mix of distribution channels through which they are sold;
- * the loss of any one of our major customers or a significant reduction in orders from those customers;
- * increased competition, particularly from larger, better Capitalized competitors;
- * fluctuations in demand for our products and services; and
- * telecommunications and wireless market conditions specifically and economic conditions generally.

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

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

Some of our key components are complex to manufacture and have long lead

Edgar Filing: CalAmp Corp. - Form 10-K

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

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

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

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

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

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

Edgar Filing: CalAmp Corp. - Form 10-K

develop products that work with different standards, we will be unable to sell our products in those locations. If compliance proves to be more expensive or time consuming than we anticipate, our business would be adversely affected. Some countries have not completed their radio frequency allocation process and therefore we do not know the standards with which we would be forced to comply. Furthermore, standards and regulatory requirements are subject to change. If we fail to anticipate or comply with these new standards, our business and results of operations will be adversely affected.

Sales to customers outside the U.S. accounted for 6%, 5% and 3% of CalAmp's total sales for the fiscal years ended February 28, 2007, 2006 and 2005, respectively. Assuming that we continue to sell our products to such customers, we will be subject to the political, economic and other conditions affecting countries or jurisdictions other than the U.S., including Africa, the Middle East, Europe and Asia. Any interruption or curtailment of trade between the countries in which we operate and our present trading partners, change in exchange rates, significant shift in U.S. trade policy toward these countries, or significant downturn in the political, economic or financial condition of these countries, could cause demand for and sales of our products to decrease, or subject us to increased regulation including future import and export restrictions, any of which could adversely affect our business.

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

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

Other than in our DBS products business, which currently does not depend upon patented technology, our ability to succeed in the wireless access business may depend, in large part, upon our intellectual property for some of our wireless products as well as software applications marketed by our Solutions Division. We currently rely primarily on patents, trademark and trade secret laws, confidentiality procedures and contractual provisions to establish and protect our intellectual property. These mechanisms provide us with only limited protection. We currently hold 27 patents and have 1 patent application pending. As part of our confidentiality procedures, we enter into non-disclosure agreements with all of our executive officers, managers and supervisory employees. 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 which may disrupt the conduct of our business and affect our profitability.

We may be subject to legal proceedings and claims from time to time relating to the intellectual property of others, even though we take steps to assure that neither our employees nor our contractors knowingly incorporate unlicensed copyrights or trade secrets into our products. It is possible

Edgar Filing: CalAmp Corp. - Form 10-K

that third parties may claim that our products and services may 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.

We may engage in future acquisitions that have adverse consequences for our business.

In April 2002 we completed the acquisition of the assets and business of Kaul-Tronics, Inc., in April 2004 we completed the acquisition of Vytek, and in April 2005 we acquired the Skybility business. In May 2006 we acquired Dataradio and the TechnoCom MRM product line, in March 2007 we acquired Aircept and in April 2007 we acquired Smartlink Radio Networks. We may make additional acquisitions of businesses, products or technologies in the future in order to complement our existing product offerings, augment our market coverage or enhance our technological capabilities. However, we cannot be sure that we will be able to locate suitable acquisition opportunities. The acquisitions that we have completed and that we may complete in the future could result in the following, any of which could seriously harm our results of operations or the price of our stock: (1) issuances of our equity securities that would dilute the percentage ownership of our current stockholders; (2) large one-time write-offs; (3) the incurrence of debt and contingent liabilities; (4) difficulties in the assimilation and integration of the acquired companies; (5) diversion of management's attention from other business concerns; (6) contractual disputes; (7) risks of entering geographic and business markets in which we have no or only limited prior experience; and (8) potential loss of key employees or customers of acquired organizations.

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

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

Industry growth has been and may continue to be affected by the availability of licenses required to use frequencies and related costs. Over the last several years, frequency spectrum has been reallocated for specific applications and the related frequency relocation costs have increased significantly. This significant reassignment of spectrum has slowed and may continue to slow the growth of the industry. Growth is slowed because some customers have funding constraints limiting their ability to purchase new technology to upgrade systems and the financial results for a number of businesses have been affected by the industry's rate of growth. Slowed industry growth may restrict the demand for our products.

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

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

Edgar Filing: CalAmp Corp. - Form 10-K

develop and bring to market.

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

If we do not have continued access to sufficient capacity on reliable networks, we may be unable to deliver services and our sales could decrease. Our ability to grow and achieve profitability partly depends on our ability to buy sufficient capacity on the networks of wireless carriers and on the reliability and security of their systems. All of our services will be delivered using airtime purchased from third parties. We will depend on these companies 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 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 their services.

Our software may contain defects or errors, and its sales could decrease if this injures our reputation or delays shipments of our software.

Our current software products and platforms are complex and must meet the stringent technical requirements of customers. Therefore, we must develop services quickly to keep pace with the rapidly changing software and telecommunications markets. Software as complex as that which will be offered by us is likely to contain undetected errors or defects, especially when first introduced or when new versions are released. Some existing contracts related to software contain provisions that require us to repair or replace products that fail to work. To the extent that such products are repaired or replaced in the future, our expenses may increase, resulting in a decline in our gross margins. In addition, our software may not be free from errors or defects after delivery to customers has begun, which could result in the rejection of our software or services, damage to our reputation, lost revenue, diverted development resources and increased service and warranty costs.

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

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

Governmental Regulation

Dataradio'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 Federal Communications Commission ("FCC") regulates many aspects of communication devices including radiation 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 Dataradio has obtained necessary

Edgar Filing: CalAmp Corp. - Form 10-K

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 Dataradio's products are used in private networks but not public networks.

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, Products Division offices and manufacturing plant
San Diego, California	22,000	Solutions Division offices
Carlsbad, California	6,000	Products Division's M2M offices
Oakland, California	5,000	Administrative and sales office
Chaska, Minnesota	4,000	Product design facility
Montreal, Quebec, Canada	24,000	Dataradio offices, product design and assembly operations
Atlanta, Georgia	6,000	Dataradio sales and systems engineering offices
Waseca, Minnesota	28,000	Dataradio offices and manufacturing plant
Paris, France	150	Sales office

ITEM 3. LEGAL PROCEEDINGS

A lawsuit was filed against the Company on September 15, 2006 by CN Capital, the seller of the assets of Skybility which the Company acquired in April 2005. The lawsuit contends that the Company owes CN Capital approximately \$1.6 million under the earn-out provision of the Skybility Asset Purchase Agreement dated April 18, 2005. On February 26, 2007, the Company filed a cross-complaint against CN Capital for breach of contract, negligent interference with prospective economic advantage, and contract

Edgar Filing: CalAmp Corp. - Form 10-K

rescission. The Company believes the lawsuit filed by CN Capital is without merit and intends to vigorously defend against this action. No loss accrual has been made in the accompanying consolidated financial statements for this matter.

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

In May 2001, the Securities and Exchange Commission ("SEC") commenced an investigation into the circumstances surrounding the misstatements in the Company's consolidated financial statements for its 2000 and 2001 fiscal years caused by its former controller. In April 2004, the SEC concluded its investigation and issued a cease and desist order directing the Company to not violate federal securities laws in the future.

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

No matters were submitted to a vote of the Company's security holders during the fourth quarter of fiscal 2007.

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, 2007		
1st Quarter	\$ 9.00	\$13.90
2nd Quarter	5.44	9.89
3rd Quarter	6.01	8.00
4th Quarter	7.10	9.15
Fiscal Year Ended February 28, 2006		
1st Quarter	\$ 5.23	\$ 7.62
2nd Quarter	6.22	8.83
3rd Quarter	7.58	12.26
4th Quarter	9.29	12.59

At May 1, 2007 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 9,000. The Company has never paid a cash dividend and has no current plans to pay cash dividends on its Common Stock. The Company's bank credit agreement prohibits payment of dividends without the prior written consent of the bank.

ITEM 6. SELECTED FINANCIAL DATA

Year ended February 28,

Edgar Filing: CalAmp Corp. - Form 10-K

	2007	2006	2005	2004	2003
(In thousands except per share amounts)					
OPERATING DATA					
Revenues	\$222,339	\$217,493	\$220,027	\$128,616	\$100,044
Cost of revenues	172,938	164,747	178,649	110,950	79,511
Gross profit	49,401	52,746	41,378	17,666	20,533
Operating expenses:					
Research and development	15,015	9,109	8,320	5,363	5,982
Selling	10,157	6,963	6,397	2,336	2,560
General and administrative	12,377	10,700	11,499	3,880	3,685
Intangible asset amortization	4,135	1,771	1,643	104	96
Write-off of acquired in-process research and development	6,850	310	471	-	-
Impairment loss	29,848	-	-	-	-
Total operating expenses	78,382	28,853	28,330	11,683	12,323
Operating income (loss)	(28,981)	23,893	13,048	5,983	8,210
Other income (expense), net	574	536	(120)	(243)	(215)
Income (loss) before income taxes	(28,407)	24,429	12,928	5,740	7,995
Income tax provision	(2,781)	(9,867)	(4,852)	(26)	(2,835)
Net income (loss)	\$ (31,188)	\$ 14,562	\$ 8,076	\$ 5,714	\$ 5,160
Earnings (loss) per share:					
Basic	\$ (1.34)	\$ 0.64	\$ 0.38	\$ 0.39	\$ 0.35
Diluted	\$ (1.34)	\$ 0.62	\$ 0.36	\$ 0.37	\$ 0.35

February 28,

	2007	2006	2005	2004	2003
(In thousands)					
BALANCE SHEET DATA					
Current assets	\$113,524	\$ 99,236	\$ 88,534	\$67,365	\$53,092
Current liabilities	\$ 38,637	\$ 21,873	\$ 29,662	\$24,722	\$18,405
Working capital	\$ 74,887	\$ 77,368	\$ 58,872	\$42,643	\$34,687
Current ratio	2.9	4.5	3.0	2.7	2.9
Total assets	\$229,703	\$204,346	\$196,755	\$98,619	\$89,597
Long-term debt	\$ 31,314	\$ 5,511	\$ 7,679	\$ 7,690	\$12,569
Stockholders' equity	\$151,251	\$176,109	\$158,288	\$65,363	\$58,623

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 the first quarter of fiscal 2007, the Company acquired Dataradio Inc. and the TechnoCom MRM product line, and in the first quarter of

Edgar Filing: CalAmp Corp. - Form 10-K

fiscal 2005 the Company acquired Vytek, Inc., all as further described in Note 2 to the accompanying consolidated financial statements.

- * In the first quarter of fiscal 2007, the Company recorded charges of \$6,850,000 for the write-off of in-process research and development costs in connection with the Dataradio acquisition and \$29,848,000 for the impairment of goodwill and other intangible assets of the Solutions Division, as further described in Notes 2 and 5, respectively, to the accompanying consolidated financial statements.
- * At the beginning of fiscal 2007, the Company adopted the provisions of Financial Accounting Standards Board Statement No. 123R, "Share-Based Payments", as further described in Note 1 of the accompanying consolidated financial statements under the caption "Accounting for Stock Options".

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

Overview

CalAmp is a provider of wireless communications products that enable anytime/anywhere access to critical information, data and entertainment content. The Company is a leading supplier of direct broadcast satellite (DBS) outdoor customer premise equipment to the U.S. satellite television market. The Company also provides wireless data communication solutions for the telemetry and asset tracking markets, private wireless networks, public safety communications and critical infrastructure and process control applications.

The Company's DBS reception products are sold primarily to the two U.S. DBS system operators, Echostar Communications Corporation and DirecTV Group Inc., for incorporation into complete subscription satellite television systems. The Company sells its other wireless access products directly to system operators as well as through distributors and system integrators.

On May 26, 2006 the Company acquired privately held Dataradio Inc., a leading supplier of proprietary advanced wireless data systems, products, and solutions for public safety, critical infrastructure and industrial control applications, for a cash payment of Canadian \$60.1 million, or U.S. \$54.3 million at the effective exchange rate. Dataradio has a diversified customer base with no single customer accounting for more than 10% of Dataradio's total revenue. Dataradio has approximately 175 employees in facilities located in Montreal, Minnesota and Georgia. The Dataradio acquisition expanded CalAmp's wireless data communications business while furthering the Company's strategic goals of diversifying its customer base and expanding its product offerings into higher-margin growth markets. Dataradio's results of operations are included in CalAmp's fiscal 2007 results of operations for the 40-week period from the date of acquisition through the end of fiscal 2007, during which Dataradio generated revenue of \$22.8 million and gross profit of \$11.6 million. In connection with the acquisition of Dataradio the Company recorded a charge of \$6,850,000 to write-off in-process research and development costs of the acquired business as part of the purchase price allocation.

Also on May 26, 2006, the Company acquired the mobile-resource management (MRM) product line from privately held TechnoCom Corporation for \$2.4 million in cash and an earn-out payment equal to revenues in excess of \$3,100,000 during the 12-month period following the acquisition. This product line is used to help track fleets of cars and trucks. Sales of the MRM product line are included in CalAmp's fiscal 2007 results of operations for the 40-week period from the date of acquisition through the end of fiscal

Edgar Filing: CalAmp Corp. - Form 10-K

2007, during which this product line contributed revenue of \$4.3 million and gross profit of \$1.6 million.

In April 2005, the Company acquired the business and certain assets of Skybility, a privately held company located in Carlsbad, California, pursuant to an Asset Purchase Agreement dated April 18, 2005. Skybility is a developer and supplier of embedded cellular transceivers used in telemetry and asset tracking applications that operate on the Advanced Mobile Phone Service (AMPS) analog network using Global Positioning Satellite (GPS) technology. The Skybility business operates as the Machine-to-Machine ("M2M") product line of the Company's Products Division.

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

The Company's revenue consists principally of sales of satellite television outdoor reception equipment for the U.S. DBS industry, which accounted for 70%, 78% and 84% of consolidated revenue in fiscal years 2007, 2006 and 2005, respectively. The DBS system operators have approximately 29% share of the total subscription television market in the U.S. In calendar 2006, the size of the U.S. DBS market grew by 7% from 27.2 million subscribers to approximately 29.1 million subscribers at December 31, 2006.

The demand for the Company's products has been affected in the past, and may continue to be affected in the future, by various factors, including, but not limited to, the following:

- * the timing, rescheduling or cancellation of orders from one of CalAmp's key customers in CalAmp's satellite products business and the Company's ability, as well as the ability of its customers, to manage inventory;
- * the rate of growth in the overall subscriber base in the U.S. DBS Market;
- * the economic and market conditions in the wireless communications markets;
- * CalAmp's ability to specify, develop or acquire, complete, introduce, market and transition to volume production new products and technologies in a timely manner;
- * the rate at which CalAmp's present and future customers and end-users adopt the Company's products and technologies in its target markets; and
- * the qualification, availability and pricing of competing products and technologies and the resulting effects on sales and pricing of the

Edgar Filing: CalAmp Corp. - Form 10-K

Company's products.

For these and other reasons, the Company's net revenue in fiscal 2007 may not necessarily be indicative of future years' revenue amounts. From time to time, the Company's key customers significantly reduce their product orders, or may place significantly larger orders, either of which can cause the Company's quarterly revenues to fluctuate significantly. The Company expects these fluctuations to continue in the future.

Significant opportunities for the Company include increasing the Company's market share for outdoor reception equipment in the U.S. DBS market and expanding its presence in wireless industry market segments for both fixed and mobile wireless applications. The Company's principal challenges include maintaining and improving Products Division gross margins and eliminating operating losses in the Solutions Division.

Basis of Presentation

The Company uses a 52-53 week fiscal year ending on the Saturday closest to February 28, which for fiscal years 2007, 2006 and 2005 fell on March 3, 2007, February 25, 2006 and February 26, 2005, respectively. In these consolidated financial statements, the fiscal year end for all years is shown as February 28 for clarity of presentation. Fiscal 2007 consisted of 53 weeks, while fiscal years 2006 and 2005 each consisted of 52 weeks.

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: allowance for doubtful accounts, inventory valuation, product warranties, the deferred tax asset valuation allowance, and the valuation of long-lived assets and goodwill. Actual results could differ materially from these estimates.

Allowance for Doubtful Accounts

The Company establishes an allowance for estimated bad debts based upon a review and evaluation of specific customer accounts identified as known and expected collection problems, based on historical experience, or due to insolvency, disputes or other collection issues. As further described in Note 1 to the accompanying consolidated financial statements, the Company's customer base is quite concentrated, with two customers accounting for 66% of the Company's fiscal 2007 sales. Changes in either a key customer's financial position, or the economy as a whole, could cause actual write-offs to be materially different from the recorded allowance amount.

Inventories

The Company evaluates the carrying value of inventory on a quarterly basis to determine if the carrying value is recoverable at estimated selling prices. To the extent that estimated selling prices do not exceed the associated carrying values, inventory carrying amounts are written down. In addition, the Company generally treats inventory on hand or committed with suppliers, which is not expected to be sold within the next 12 months, as excess and thus appropriate write-downs of the inventory carrying amounts are

Edgar Filing: CalAmp Corp. - Form 10-K

established through a charge to cost of sales. 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 provides for the estimated cost of product warranties at the time revenue is recognized. While it engages in extensive product quality programs and processes, including actively monitoring and evaluating the quality of its component suppliers, 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 Valuation Allowance

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 asset on a quarterly basis, and a valuation allowance is provided, as necessary, in accordance with the provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes". During this evaluation, the Company reviews its forecasts of income in conjunction with the positive and negative evidence surrounding the realizability of its deferred income tax asset to determine if a valuation allowance is needed.

At February 28, 2007, the Company had an aggregate deferred tax credit balance of \$2,814,000. The current portion of this amount is a deferred tax asset of \$4,637,000 and the noncurrent portion is a deferred tax liability of \$7,451,000. The noncurrent portion of deferred income taxes is comprised primarily of (i) a deferred tax liability of \$4,878,000 associated with acquired intangible assets of Dataradio and (ii) a deferred tax liability of \$2,863,000 related to goodwill arising from certain acquisitions in prior years that is amortizable for income tax purposes but not for financial reporting purposes.

Vytek, which was acquired by the Company in April 2004, has tax loss carryforwards and other tax assets that the Company believes will be utilizable to some extent in the future, subject to change of ownership limitations pursuant to Section 382 of the Internal Revenue Code and to the ability of the combined post-merger company to generate sufficient taxable income to utilize the benefits before the expiration of the applicable carryforward periods. At February 28, 2007, the Company has a deferred tax asset valuation allowance of \$1,841,000 relating to the assets acquired in the Vytek purchase. If in the future a portion or all of the \$1,841,000 valuation allowance is no longer deemed to be necessary, reductions of the valuation allowance will decrease the goodwill balance associated with the Solutions Division. Conversely, if in the future the Company were to change its realization probability assessment to less than 50%, the Company would provide an additional valuation allowance for all or a portion of the net deferred income tax asset, which would increase the income tax provision.

Edgar Filing: CalAmp Corp. - Form 10-K

The Company also has deferred tax assets for Canadian income tax purposes arising from the acquisition of Dataradio amounting to \$3,375,000 at February 28, 2007, which relate primarily to research and development tax credits for Canadian federal and Quebec provincial income taxes. Of this total Canadian deferred tax assets amount, \$2,196,000 existed at the time of the Dataradio acquisition in May 2006 and \$1,179,000 arose subsequent to the acquisition. The Company has provided a 100% valuation allowance against these Canadian deferred tax assets at February 28, 2007. If in the future a portion or all of the \$3,375,000 valuation allowance for the Canadian deferred tax assets is no longer deemed to be necessary, reductions of the valuation allowance up to \$2,196,000 will decrease the goodwill balance associated with the Dataradio acquisition, and reductions of the valuation allowance in excess of \$2,196,000 will reduce the income tax provision.

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

The Company makes judgments about the recoverability of purchased intangible assets and other long-lived assets whenever events or changes in circumstances indicate that an other-than-temporary impairment in the remaining value of the assets recorded on the balance sheet may exist. The Company tests the impairment of goodwill annually or more frequently if indicators of impairment arise. Goodwill of the Products Division and Solutions Division is tested annually for impairment on December 31 and April 30, respectively. 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. Based on these assumptions and estimates, the Company determines whether it needs to record an impairment charge to reduce the value of the asset stated on the balance sheet to reflect its estimated fair value. Assumptions and estimates about future values and remaining useful lives are complex and often subjective. They can be affected by a variety of factors, including external factors such as industry and economic trends, and internal factors such as changes in the Company's business strategy and its internal forecasts. Although management believes the assumptions and estimates that have been made in the past have been reasonable and appropriate, different assumptions and estimates could materially impact the Company's reported financial results. More conservative assumptions of the anticipated future benefits from these businesses could result in impairment charges, which would decrease net income and result in lower asset values on the balance sheet. Conversely, less conservative assumptions could result in smaller or no impairment charges, higher net income and higher asset values. In fiscal 2007, the Company recorded impairment charges on goodwill and other intangible assets of the Solutions Division of \$29,012,000 and \$836,000, respectively, as further described in Note 5. At February 28, 2007, the Company had \$90 million in goodwill and \$18.6 million in net purchased intangible assets on its balance sheet.

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 probable. 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

Edgar Filing: CalAmp Corp. - Form 10-K

knowledge of the product.

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

Recent Developments

During fiscal 2007, the Company received notification from Echostar, its largest customer, that it was encountering field performance issues with a DBS product that the Company shipped during calendar years 2004 through 2006. After examining the various component parts used in the manufacture of these products, it was determined by the Company that the performance issues were the result of a deterioration of the laminate material used in the printed circuit boards of these products. During fiscal 2007, Echostar returned approximately 250,000 units to the Company for testing and possible rework, the majority of which were received by the Company during the fourth quarter of fiscal 2007. An additional 113,000 units have been returned by Echostar to the Company subsequent to fiscal 2007, and it is possible that additional units may be returned to the Company in the future.

From the time the problem was isolated to the laminate material until March 2007, the Company worked with the supplier of the laminate material and with Echostar to identify a corrective action. Notwithstanding these efforts, on March 26, 2007 the laminate supplier filed a Complaint for Declaratory Relief in the State of Massachusetts in which it claimed that it is not responsible for the field performance issues of these DBS products.

Also in March 2007, the Company learned that Echostar had awarded its orders for this DBS product for future requirements beginning in June 2007 to other suppliers. The Company believes that the field performance issues were the primary reason for the loss of this business. The Company has continued to work with Echostar to mitigate the impact of these performance issues and to identify and implement a corrective action plan. The Company believes that this matter will adversely affect its sales volume with Echostar for fiscal 2008.

On May 16, 2007, the Company filed a lawsuit against the laminate supplier in the U.S. District Court for the Central District of California for negligence, strict product liability, intentional misrepresentation and negligent interference with prospective economic advantage, among other causes of action.

The Company has established a warranty reserve as of February 28, 2007 that it believes is adequate to cover the resolution of these field performance issues with Echostar. However, if the ultimate resolution of this matter causes the reserve amount to be exceeded, it could have a material adverse effect on the Company's financial position and results of operations.

Results of Operations, Fiscal Years 2005 Through 2007

Edgar Filing: CalAmp Corp. - Form 10-K

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,		
	2007	2006	2005
Revenues	100.0%	100.0%	100.0%
Cost of revenues	77.8	75.7	81.2
Gross profit	22.2	24.3	18.8
Operating expenses:			
Research and development	6.7	4.2	3.8
Selling	4.5	3.2	2.9
General and administrative	5.6	4.9	5.2
Intangible asset amortization	1.9	0.8	0.8
Write-off of acquired in-process research and development	3.1	0.2	0.2
Impairment loss	13.4	-	-
Operating income (loss)	(13.0)	11.0	5.9
Other income (expense), net	0.2	0.2	-
Income (loss) before income taxes	(12.8)	11.2	5.9
Income tax provision	(1.2)	(4.5)	(2.2)
Net income (loss)	(14.0%)	6.7%	3.7%

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,						
Segment (Division)	2007		2006		2005	
	\$000s	% of Total	\$000s	% of Total	\$000s	% of Total
Products	\$213,204	95.9%	\$196,908	90.5%	\$194,835	88.6%
Solutions	9,135	4.1%	20,585	9.5%	25,192	11.4
Total	\$222,339	100.0%	\$217,493	100.0%	\$220,027	100.0%

The Products Division generates a substantial portion of its revenue from the sale of outdoor reception equipment for use with subscription satellite television programming services. Such products accounted for approximately 73%, 86% and 95% of total Products Division revenues in fiscal years 2007, 2006 and 2005, respectively.

GROSS PROFIT BY SEGMENT

Year Ended February 28,

Edgar Filing: CalAmp Corp. - Form 10-K

Segment (Division)	2007		2006		2005	
	\$000s	% of Total	\$000s	% of Total	\$000s	% of Total
Products	\$ 45,537	92.2%	\$ 45,589	86.4%	\$35,765	86.4%
Solutions	3,864	7.8%	7,157	13.6%	5,613	13.6%
Total	\$ 49,401	100.0%	\$ 52,746	100.0%	\$41,378	100.0%

OPERATING INCOME (LOSS) BY SEGMENT

Year Ended February 28,

Segment (Division)	2007		2006		2005	
	\$000s	% of Total Revenue	\$000s	% of Total Revenue	\$000s	% of Total Revenue
Products	\$ 9,800	4.4%	\$ 31,361	14.4%	\$25,316	11.5%
Solutions	(32,928)	(14.8%)	(3,190)	(1.5%)	(8,051)	(3.7%)
Corporate expenses	(5,853)	(2.6%)	(4,278)	(1.9%)	(4,217)	(1.9%)
Total	\$(28,981)	(13.0%)	\$ 23,893	11.0%	\$13,048	5.9%

The Products Division operating income in fiscal 2007 includes a charge of \$6,850,000 to write-off in-process research and development costs associated with the Dataradio acquisition. The Solutions Division operating loss in fiscal 2007 includes the goodwill impairment charge of \$29,012,000 and intangible assets impairment charge of \$836,000 as discussed above.

Fiscal Year 2007 compared to Fiscal Year 2006

As further discussed under the caption "Basis of Presentation" above, fiscal years 2007 and 2006 contained 53 weeks and 52 weeks, respectively, as a result of the Company's 52-53 week fiscal year method. The Company believes that the inclusion of the one additional week in fiscal 2007 does not materially affect the comparability of the operating results between these two periods.

Revenue

Products Division revenue increased \$16,296,000, or 8.3%, to \$213,204,000 in fiscal 2007 from \$196,908,000 in fiscal 2006. The operations of Dataradio and the TechnoCom MRM product line that were acquired in May 2006 contributed revenues of \$22,821,000 and \$4,335,000, respectively, for the 40-week period from date of acquisition to the end of fiscal 2007, while revenue of the Products Division excluding the operating results of Dataradio and the TechnoCom (hereinafter referred to as the "Pre-existing Products Division") declined by \$10,860,000 in fiscal 2007 compared to fiscal 2006. Revenues from the sale of DBS products of the Pre-existing Products Division declined by \$15,376,000, or 9%, while sales of other wireless products and services increased by \$4,516,000 year-over-year. The decline in DBS products revenue is attributable to a decrease in unit sales volume of approximately 16% from fiscal 2006 to fiscal 2007, partially offset by an increase in average selling prices per unit of approximately 6%.

Edgar Filing: CalAmp Corp. - Form 10-K

Revenue of the Solutions Division decreased \$11,450,000, or 56%, to \$9,135,000 in fiscal 2007 from \$20,585,000 in fiscal 2006. The revenue decline is primarily the result of the loss of key customers in the Solutions Division's information technology professional consulting business which led to management's decision to exit this business at the end of first quarter of fiscal 2007. The information technology professional consulting business generated revenue of approximately \$9 million in fiscal 2006. Revenue of the Solutions Division for fiscal 2007 is less than 5% of the Company's consolidated revenue.

Gross Profit and Gross Margins

Products Division gross profit decreased slightly in fiscal 2007 to \$45,537,000 from \$45,589,000 in fiscal 2006. This change is the net result of a decrease of \$13.2 million in the gross profit of the Pre-existing Products Division from fiscal 2006 to fiscal 2007 and the gross profit contribution of Dataradio and the TechnoCom product line of \$13.2 million for the 40-week period from the date of acquisition to the end of fiscal 2007. Gross profit of the Pre-existing Products Division declined in fiscal 2007 compared to fiscal 2006 because of the \$10,860,000 decline in revenue and a shift in product mix toward lower margin end-of-life DBS products. In addition, freight costs for incoming materials of the Pre-existing Products Division was \$4.4 million higher in fiscal 2007 compared to the fiscal 2006 because of the Company's decision to expedite materials in order to meet customer requirements in response to supply chain disruptions and demand volatility. Based on information currently available to the Company, management does not believe that this higher level of freight costs will exist in fiscal 2008.

The Products Division gross margin in fiscal 2007 was 21.4% compared to 23.2% in fiscal 2006. In fiscal 2007, Dataradio and the TechnoCom product line generated an aggregate gross margin of 48.6% and the Pre-existing Products Division generated a gross margin of 17.4%. The decline in gross margin of the Pre-existing Products Division is primarily the result of higher freight costs and lower margins on final shipments of end-of-life DBS products.

Solutions Division gross profit in fiscal 2007 decreased \$3,293,000, or 46%, from fiscal 2006. The decline in gross profit is primarily attributable to the loss of key customers within the Solutions Division which led to management's decision to exit the professional consulting business in the first quarter of fiscal 2007. The Solutions Division gross margin was 42.3% and 34.8% in fiscal years 2007 and 2006, respectively. This increase is primarily due to a change in revenue mix favoring higher margin software products, and the elimination of the aforementioned lower margin business.

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

Operating Expenses

Consolidated research and development expense increased \$5,906,000 from \$9,109,000 in fiscal 2006 to \$15,015,000 in fiscal 2007. R&D expense of Dataradio, which was acquired in the first quarter of fiscal 2007, accounted for substantially all of this increase.

Consolidated selling expenses increased by \$3,194,000 from \$6,963,000 last year to \$10,157,000 this year. This increase is primarily the result of Dataradio's fiscal 2007 selling expenses of \$4.2 million and a reduction of \$1.5 million in the selling expenses of the Solutions Division resulting from the aforementioned management actions.

Edgar Filing: CalAmp Corp. - Form 10-K

Consolidated general and administrative expenses ("G&A") increased \$1,677,000 from \$10,700,000 last year to \$12,377,000 this year. This change is primarily attributable to stock-based compensation expense included in fiscal 2007 G&A of \$1,571,000 and Dataradio's G&A of \$1,337,000, partially offset by a reduction of the Solutions Division's G&A of \$1,700,000.

Amortization of intangibles increased from \$1,771,000 in fiscal 2006 to \$4,135,000 in fiscal 2007. The increase was primarily attributable to amortization expense on identifiable intangible assets from the acquisitions of Dataradio and the TechnoCom MRM product line.

The in-process research and development ("IPR&D") write-off increased to \$6,850,000 in fiscal 2007 from \$310,000 last year. Last year's IPR&D write-off was related to the acquisition of Skybility and this year's IPR&D write-off was related to the acquisition of Dataradio.

The impairment loss totaling \$29,848,000 recorded in fiscal 2007 was the result of the annual goodwill impairment test for the Solutions Division, as discussed above in the "Overview" section.

Operating Income (Loss)

The fiscal 2007 operating loss was \$28,981,000, compared to operating income of \$23,893,000 in fiscal 2006. The fiscal 2007 operating loss is attributable to the \$6,850,000 write-off of IPR&D associated with the Dataradio acquisition and the Solutions Division's goodwill and intangible assets impairment losses totaling \$29,848,000, the exit of the professional consulting business within the Solutions segment, incremental operating expenses associated with the aforementioned fiscal 2007 acquisitions, and share-based compensation expense of \$2,213,000 recorded in fiscal 2007 pursuant to FAS 123R.

Non-Operating Income (Expense), Net

Non-operating income in fiscal 2007 was \$574,000, compared to \$536,000 in fiscal 2006. This increase is primarily attributable to a gain of \$689,000 realized on foreign currency hedging activities in connection with the acquisition of Dataradio, for which the purchase price was denominated in Canadian dollars. Interest income was \$517,000 higher in fiscal 2007 than the prior year due to higher average cash balances and higher interest rates this year. These increases in non-operating income were partially offset by interest expense that was \$1,534,000 higher in fiscal 2007 than the prior year due to the new bank borrowing described in Note 6 to the accompanying consolidated financial statements.

Income Tax Provision

The effective income tax rate was (9.8%) and 40.4% in fiscal years 2007 and 2006, respectively. Excluding the items that are not deductible in computing book-basis income tax expense (goodwill impairment loss of \$29,012,000 and IPR&D write-off of \$6,850,000), the effective income tax rate for fiscal 2007 was 37.3%. The decline in effective tax rate from 40.4% in fiscal 2006 to 37.3% in fiscal 2007 is primarily attributable to the recognition of research and development credits for state income taxes.

Fiscal Year 2006 compared to Fiscal Year 2005

Revenue

Products Division revenue increased \$2,073,000, or 1%, to \$196,908,000 in fiscal 2006 from \$194,835,000 in fiscal 2005. Sales of wireless products, primarily radio modules to a legacy customer of Vyteck, increased \$9.1 million

Edgar Filing: CalAmp Corp. - Form 10-K

over fiscal 2005. Sales of M2M products, the product line acquired from Skybility in April 2005, contributed a revenue increase of \$7.4 million in fiscal 2006. These increases were substantially offset by a decline in DBS product revenue of \$14.4 million from fiscal 2005 to 2006. The decline in DBS revenue was attributable to a significant shift in product mix. There was a 55% decline in unit sales of older generation DBS products that have low average selling prices (less than \$25 per unit) which represented an aggregate \$39 million decline in DBS revenue, and a 44% increase in unit sales of higher complexity new generation products with higher average selling prices (more than \$50 per unit) which represented an aggregate \$17 million increase in DBS revenue. Increased sales of DBS products with medium average selling prices (between \$25 and \$50 per unit) and DBS mounting hardware products accounted for the remainder of the net change in year-over-year DBS revenue.

Revenue of the Solutions Division decreased \$4,607,000, or 18%, to \$20,585,000 in fiscal 2006 from \$25,192,000 in fiscal 2005. The revenue decrease is primarily the result of the Company's actions to eliminate lower margin business in fiscal 2006 in order to reduce operating losses in this division.

Gross Profit and Gross Margins

Products Division gross profit increased by \$9,824,000, or 28%, in fiscal 2006 compared to fiscal 2005. The Products Division gross margin improved from 18.4% in fiscal 2005 to 23.2% in fiscal 2006. The gross profit and margin improvement were mainly due to increased sales of higher-margin products, primarily M2M products, radio modules and latest generation DBS products.

Solutions Division gross profit increased \$1,544,000, or 28%, and gross margin improved from 22.3% in fiscal 2005 to 34.8% in fiscal 2006. A revenue mix favoring higher margin software products resulted in significantly improved gross margin in fiscal 2006.

Operating Expenses

Consolidated research and development expense ("R&D") increased by \$789,000 to \$9,109,000 in fiscal 2006 from \$8,320,000 in fiscal 2005. The Products Division increased its R&D spending by \$1.9 million primarily in connection with product development costs relating to the M2M product line that was acquired in April 2005. The Solutions Division reduced its R&D spending by approximately \$1 million. The Solutions Division's R&D spending is primarily in the development of software products.

Consolidated selling expenses increased by \$566,000 from \$6,397,000 in fiscal 2005 to \$6,963,000 in fiscal 2006, primarily attributable to the Products Division. The inclusion of M2M selling expenses in fiscal 2006 as a result of the acquisition of the Skybility business in April 2005 accounted for substantially all of this increase.

Consolidated G&A decreased by \$799,000 to \$10,700,000 in fiscal 2006 from \$11,499,000 in fiscal 2005. The decrease is attributable to a reduction of Solutions Division G&A of \$1.8 million as a result of actions taken to improve the cost structure of this Division, partially offset by an increase in Products Division G&A of \$1 million, mainly from higher payroll related expenses.

Amortization expense of intangible assets was \$1,771,000 in fiscal 2006 compared to \$1,643,000 in fiscal 2005. The increase is attributable to amortization expense related to the intangible assets arising from the April 2005 acquisition of the M2M product line.

Edgar Filing: CalAmp Corp. - Form 10-K

The IPR&D write-off decreased by \$161,000 to \$310,000 in fiscal 2006 from \$471,000 in fiscal 2005. The fiscal 2005 IPR&D write-off was related to the acquisition of Vytek, while the fiscal 2006 IPR&D write-off was related to the acquisition of the M2M product line. See also Note 2 to the accompanying consolidated financial statements for additional information on the M2M product line.

Operating Income

Operating income increased by \$10,845,000 to \$23,893,000 in fiscal 2006 from \$13,048,000 in fiscal 2005. These results were driven by improved gross margins in both the Products and Solutions Divisions. The Products Division's higher gross profit, as discussed above under the headings "Revenue" and "Gross Profit and Gross Margins", partially offset by the Products Division's higher operating expenses, contributed to the increase in operating income. The Solutions Division also showed an improvement in its operating results in fiscal 2006, reducing its operating loss by about 60% compared to fiscal 2005, which is the result of this Division focusing its efforts on attracting higher margin business and changing its cost structure primarily through workforce reductions. Management is closely monitoring the performance of this business unit with the objective of achieving profitable results for the Solutions Division as soon as possible.

Income Tax Provision

The effective income tax rate was 40.4% and 37.5% in fiscal years 2006 and 2005, respectively. During fiscal year 2005, the deferred tax asset valuation allowance was reduced by \$630,000 which had the effect of reducing income tax expense in fiscal 2005. In fiscal 2006, the deferred tax asset valuation allowance was reduced by \$51,000. Because this valuation allowance relates to tax assets acquired in the Vytek purchase, this \$51,000 was recorded as a reduction of goodwill and did not impact fiscal 2006 income tax expense.

Liquidity and Capital Resources

The Company's primary sources of liquidity are its cash and cash equivalents, which amounted to \$37,537,000 at February 28, 2007, and its \$10 million working capital line of credit with a bank. As discussed above under "Recent Developments", in March and April 2007 the Company used cash on hand in the aggregate amount of \$27.1 million to consummate the acquisitions of Aircept and Smartlink Radio Networks.

During fiscal year 2007, cash and cash equivalents decreased by \$8,246,000. This net decrease consisted of cash used in investing activities of \$53,111,000 (principally for the acquisition of Dataradio) and debt repayments of \$11,421,000, partially offset by cash provided by operating activities of \$16,723,000, proceeds of long-term debt of \$38,000,000, proceeds from stock option exercises of \$1,397,000 and other net activity of \$166,000.

Cash was used by an increase in operating working capital during fiscal 2007 in the aggregate amount of \$1,006,000, comprised of an increase of \$3,755,000 in accounts receivable, an increase of \$2,059,000 in inventories, an increase of \$2,689,000 in prepaid expenses and other assets and a decrease in accrued liabilities of \$3,995,000, partially offset by increases in accounts payable and deferred revenue of \$12,962,000 and \$542,000, respectively.

The Company believes that inflation and foreign currency exchange rates did not have a material effect on its operations in fiscal 2007.

Edgar Filing: CalAmp Corp. - Form 10-K

On May 26, 2006, the Company entered into a Credit Agreement (the "Credit Agreement") with Bank of Montreal, as administrative agent, and the other financial institutions that from time to time may become parties to the Credit Agreement. The credit facility is comprised of a term loan and a \$10 million working capital line of credit.

The Company initially borrowed \$35 million under the term loan and \$3 million under the line of credit. Borrowings are secured by substantially all of the assets of CalAmp Corp. and its domestic subsidiaries. Of the total proceeds of \$38 million, \$7 million was used to pay off the Company's existing loans with US Bank and the remaining \$31 million, plus cash on hand of approximately \$23 million, was used to fund the purchase price for the Dataradio acquisition as described in Note 2 of the consolidated financial statements. In the fiscal 2007 third quarter, the Company made a principal repayment of \$750,000 on the term loan and repaid in full the \$3,000,000 principal balance of the line of credit. At February 28, 2007, \$2,375,000 of the line of credit was reserved for outstanding irrevocable stand-by letters of credit, and \$7,625,000 was available to borrow.

The term loan principal is payable in quarterly installments on the last day of March, June, September and December in each year commencing on March 31, 2007 with a final payment of \$8,563,000 on May 26, 2011. The maturity date of the line of credit is also May 26, 2011. Scheduled principal payments by fiscal year are as follows:

Fiscal Year	Term Loan
-----	-----
2008	\$ 2,936,000
2009	4,893,000
2010	6,850,000
2011	8,807,000
2012	10,764,000

	\$34,250,000
	=====

At the Company's option, borrowings under the Credit Agreement bear interest at bank's prime rate ("Prime Based Loans") plus a margin ranging from 0% to 0.25% (the "Prime Rate Margin") or LIBOR ("LIBOR Based Loans") plus a margin ranging from 0.75% to 1.25% (the "LIBOR Margin"). The Prime Rate Margin and the LIBOR Margin vary depending on the Company's ratio of debt to earnings before interest, taxes, depreciation, amortization and other noncash charges (the "Leverage Ratio"). Interest is payable on the last day of the calendar quarter for Prime Based Loans and at the end of the fixed rate LIBOR period (ranging from 1 to 12 months) in the case of LIBOR Based Loans.

The Credit Agreement contains certain financial covenants and ratios that the Company is required to maintain, including a fixed charge coverage ratio of not less than 1.50, a leverage ratio of not more than 2.75, and minimum net worth of at least \$141,394,000. At February 28, 2007, the Company was in compliance with all such covenants.

The Credit Agreement includes customary affirmative and negative covenants including, without limitation, negative covenants regarding additional indebtedness, investments, maintenance of the business, liens, guaranties, transfers and sales of assets, and the payment of dividends and other restricted payments. The Credit Agreement also contains certain events of default, including the failure to make timely payments under the Credit Agreement or other material indebtedness and the failure to adhere to certain covenants, that would permit the bank to accelerate borrowings under the

Edgar Filing: CalAmp Corp. - Form 10-K

Credit Agreement in the event that a default were to occur and not be cured within applicable grace periods.

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, 2007 (in thousands):

Contractual Obligations	Payments Due by Period				Total
	1 year or less	2-3 years	4-5 years	More than 5 years	
Debt	\$ 2,936	\$11,743	\$19,571	-	\$34,250
Capital leases	9	-	-	-	9
Operating leases	2,420	3,863	1,908	23	8,214
Purchase obligations	38,397	35	39	-	38,471
Total contractual cash obligations	\$43,762	\$15,641	\$21,518	23	\$80,944

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

The Company believes that its cash on hand, its cash generated from operations and the amount available under its working capital line of credit, are collectively sufficient to support operations, fund capital equipment requirements and discharge contractual cash obligations for at least the next 12 months.

New Authoritative Pronouncements

See Note 1 of the accompanying consolidated financial statements for a description of new authoritative accounting pronouncements either recently adopted or which had not yet been adopted by the Company as of the end of fiscal 2007

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, new competition, competitive pricing and continued pricing declines in the DBS market, supplier constraints, manufacturing yields, the ability to manage cost increases in inventory materials including raw steel, timing and market acceptance of new product introductions, the Company's ability to harness new technologies in a competitively advantageous manner,

Edgar Filing: CalAmp Corp. - Form 10-K

the Company's success at integrating its acquired businesses, 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 results or those anticipated. 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.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's primary market risk exposure is interest rate risk. At February 28, 2007, the Company's term debt and credit facility with its bank are subject to variable interest rates. The Company monitors its debt and interest bearing cash equivalents levels to mitigate the risk of interest rate fluctuations. A fluctuation of one percent in interest rates related to the Company's outstanding variable rate debt would not have a material impact on the Company's consolidated statement of operations.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of CalAmp Corp. is responsible for establishing and maintaining adequate internal control over financial reporting.

CalAmp Corp. management has assessed the effectiveness of the Company's internal control over financial reporting as of February 28, 2007. In making this assessment, management used criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control -Integrated Framework. Based on its assessment, management of CalAmp Corp. believes that, as of February 28, 2007, the Company's internal control over financial reporting is effective based on those criteria.

CalAmp Corp. acquired Dataradio Inc. on May 26, 2006, and as permitted by the guidance issued by the Office of the Chief Accountant of the Securities and Exchange Commission, management excluded from its assessment of the effectiveness of CalAmp Corp.'s internal control over financial reporting as of February 28, 2007, Dataradio Inc.'s internal control over financial reporting associated with total assets of \$56,396,000 and total revenues of \$22,821,000 included in the consolidated financial statements of CalAmp Corp. and subsidiaries as of and for the year ended February 28, 2007.

KPMG LLP, the independent registered public accounting firm that audited the consolidated financial statements included in this Annual Report on Form 10-K for the fiscal year ended February 28, 2007, has issued an attestation report on management's assessment of the Company's internal control over financial reporting.

/s/ Richard K. Vitelle VP Finance, Chief Financial
Officer and Treasurer
Richard Vitelle (principal accounting officer)

/s/ Fred M. Sturm President, Chief Executive
Officer and Director
Fred M. Sturm (principal executive officer)

Edgar Filing: CalAmp Corp. - Form 10-K

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
CalAmp Corp:

We have audited management's assessment, included in the accompanying Management's Report on Internal Control over Financial Reporting, that CalAmp Corp. maintained effective internal control over financial reporting as of February 28, 2007, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). CalAmp Corp.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

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

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

In our opinion, management's assessment that CalAmp Corp. maintained effective internal control over financial reporting as of February 28, 2007, is fairly stated, in all material respects, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Also, in our opinion, CalAmp Corp. maintained, in all material respects, effective internal control over financial reporting as of February 28, 2007, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Edgar Filing: CalAmp Corp. - Form 10-K

CalAmp Corp. acquired Dataradio Inc. on May 26, 2006, and management excluded from its assessment of the effectiveness of CalAmp Corp.'s internal control over financial reporting as of February 28, 2007, Dataradio Inc.'s internal control over financial reporting associated with total assets of \$56,396,000 and total revenues of \$22,821,000 included in the consolidated financial statements of CalAmp Corp. and subsidiaries as of and for the year ended February 28, 2007. Our audit of internal control over financial reporting of CalAmp Corp. also excluded an evaluation of the internal control over financial reporting of Dataradio Inc.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of CalAmp Corp. and subsidiaries as of February 28, 2007 and 2006, and the related consolidated statements of operations, stockholders' equity and comprehensive income (loss), and cash flows for each of the years in the three-year period ended February 28, 2007, and our report dated May 17, 2007 expressed an unqualified opinion on those consolidated financial statements.

(signed) KPMG LLP

Los Angeles, California
May 17, 2007

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
CalAmp Corp.:

We have audited the accompanying consolidated balance sheets of CalAmp Corp. and subsidiaries as of February 28, 2007 and 2006, and the related consolidated statements of operations, stockholders' equity and comprehensive income (loss), and cash flows for each of the years in the three-year period ended February 28, 2007. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CalAmp Corp. and subsidiaries as of February 28, 2007 and 2006, and the results of their operations and their cash flows for each of the years in the three-year period ended February 28, 2007, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 1 to the consolidated financial statements, effective March 1, 2006, the Company adopted the provisions of Statement of Financial Accounting Standards No. 123(R), "Share-Based Payment."

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of CalAmp Corp.'s internal control over financial reporting as of February 28, 2007,

Edgar Filing: CalAmp Corp. - Form 10-K

based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated May 17, 2007 expressed an unqualified opinion on management's assessment of, and the effective operation of, internal control over financial reporting.

(signed) KPMG LLP

Los Angeles, California
May 17, 2007

CALAMP CORP.	
CONSOLIDATED BALANCE SHEETS	
(IN THOUSANDS, EXCEPT PAR VALUE)	
	February 28,

	2007 2006

Assets	
Current assets:	
Cash and cash equivalents	\$ 37,537 \$ 45,783
Accounts receivable, less allowance for doubtful accounts of \$347 and \$203 at February 28, 2007 and 2006, respectively	38,439 28,630
Inventories	25,729 18,279
Deferred income tax assets	4,637 4,042
Prepaid expenses and other current assets	7,182 2,502

Total current assets	113,524 99,236

Property, equipment and improvements, net of accumulated depreciation and amortization	6,308 5,438
Deferred income tax assets, less current portion	- 2,344
Goodwill	90,001 91,386
Other intangible assets, net	18,643 5,304
Other assets	1,227 638

	\$229,703 \$204,346
	=====
Liabilities and Stockholders' Equity	
Current liabilities:	
Current portion of long-term debt	\$ 2,944 \$ 2,168
Accounts payable	26,186 12,011
Accrued payroll and employee benefits	3,478 3,608
Other current liabilities	4,094 2,763
Deferred revenue	1,935 1,323

Total current liabilities	38,637 21,873

Long-term debt, less current portion	31,314 5,511
Deferred income tax liabilities	7,451 -
Other non-current liabilities	1,050 853
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	

Edgar Filing: CalAmp Corp. - Form 10-K

authorized; 23,595 and 23,204 shares issued and outstanding at February 28, 2007 and 2006, respectively	236	232
Additional paid-in capital	139,175	135,022
Less common stock held in escrow	-	(2,532)
Retained earnings	13,000	44,188
Accumulated other comprehensive loss	(1,160)	(801)
	-----	-----
Total stockholders' equity	151,251	176,109
	-----	-----
	\$229,703	\$204,346
	=====	=====

See accompanying notes to consolidated financial statements.

CALAMP CORP. CONSOLIDATED STATEMENTS OF OPERATIONS (IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	Year ended February 28,		
	2007	2006	2005
	-----	-----	-----
Revenues:			
Product sales	\$214,446	\$201,271	\$200,098
Service revenues	7,893	16,222	19,929
	-----	-----	-----
Total revenues	222,339	217,493	220,027
	-----	-----	-----
Cost of revenues:			
Cost of product sales	166,612	152,333	163,154
Cost of service revenues	6,326	12,414	15,495
	-----	-----	-----
Total cost of revenues	172,938	164,747	178,649
	-----	-----	-----
Gross profit	49,401	52,746	41,378
	-----	-----	-----
Operating expenses:			
Research and development	15,015	9,109	8,320
Selling	10,157	6,963	6,397
General and administrative	12,377	10,700	11,499
Intangible asset amortization	4,135	1,771	1,643
Write-off of acquired in-process research and development	6,850	310	471
Impairment loss	29,848	-	-
	-----	-----	-----
Total operating expenses	78,382	28,853	28,330
	-----	-----	-----
Operating income (loss)	(28,981)	23,893	13,048
	-----	-----	-----
Non-operating income (expense):			
Interest income (expense), net	(460)	557	(185)
Other income (expense), net	1,034	(21)	65
	-----	-----	-----
Total non-operating income (expense)	574	536	(120)
	-----	-----	-----
Income (loss) before income taxes	(28,407)	24,429	12,928
	-----	-----	-----
Income tax provision	(2,781)	(9,867)	(4,852)
	-----	-----	-----

Edgar Filing: CalAmp Corp. - Form 10-K

Net income (loss)	\$ (31,188)	\$ 14,562	\$ 8,076
	=====	=====	=====
Earnings (loss) per share:			
Basic	\$ (1.34)	\$ 0.64	\$ 0.38
Diluted	\$ (1.34)	\$ 0.62	\$ 0.36
Shares used in computing basic and diluted earnings (loss) per share:			
Basic	23,353	22,605	21,460
Diluted	23,353	23,415	22,193

See accompanying notes to consolidated financial statements.

CALAMP CORP.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
AND COMPREHENSIVE INCOME (LOSS)
(IN THOUSANDS)

	Common Stock		Additional	Common	Accum-	Other	Total
	Shares	Amount	Paid-in	Stock	Retained	Compre-	Stock-
	-----	-----	-----	-----	-----	hensive	holders'
	-----	-----	-----	-----	-----	Loss	Equity
	-----	-----	-----	-----	-----	-----	-----
Balances at							
February 28, 2004	14,910	\$149	\$ 44,486	\$ -	\$21,550	\$(822)	\$ 65,363
Net income	-	-	-	-	8,076	-	8,076
Change in unrealized loss on available-for-sale investments	-	-	-	-	-	21	21
Comprehensive income							8,097
Issuance of common stock for Vitek acquisition	8,123	81	91,090	(9,624)	-	-	81,547
Cancellation of escrow shares	(628)	(6)	(7,070)	7,076	-	-	-
Fair value of options and warrants assumed in acquisition	-	-	1,837	-	-	-	1,837
Exercise of stock options	309	3	1,053	-	-	-	1,056
Tax benefits from exercise of non-qualified stock options	-	-	388	-	-	-	388
Balances at							
February 28, 2005	22,714	227	131,784	(2,548)	29,626	(801)	158,288
Net income and comprehensive income	-	-	-	-	14,562	-	14,562
Sales of common stock held in escrow	-	-	-	16	-	-	16
Exercise of stock options	516	5	2,285	-	-	-	2,290
Tax benefits from exercise of non-qualified stock options	-	-	1,143	-	-	-	1,143
Other	(26)	-	(190)	-	-	-	(190)

Edgar Filing: CalAmp Corp. - Form 10-K

Balances at							
February 28, 2006	23,204	232	135,022	(2,532)	44,188	(801)	176,109
Net loss	-	-	-	-	(31,188)	-	(31,188)
Change in unrealized gain on available-for-sale investments						45	45
Foreign currency translation adjustments	-	-	-	-	-	(404)	(404)
Comprehensive loss							(31,547)
Sales of common stock held in escrow	-	-	-	2,532	-	-	2,532
Issuance of restricted stock to directors, net of forfeitures	20	-	-	-	-	-	-
Stock-based compensation expense	-	-	2,213	-	-	-	2,213
Exercise of stock options and warrants	373	4	1,393	-	-	-	1,397
Tax benefits from exercise of non-qualified stock options	-	-	568	-	-	-	568
Other	(2)	-	(21)	-	-	-	(21)
Balances at							
February 28, 2007	23,595	\$236	\$139,175	\$ -	\$13,000	\$(1,160)	\$151,251

See accompanying notes to consolidated financial statements.

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

	Year ended February 28,		
	2007	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	\$ (31,188)	\$ 14,562	\$ 8,076
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	6,920	4,372	4,340
Stock-based compensation expense	2,213	-	-
Write-off of in-process research and development	6,850	310	471
Impairment loss	29,848	-	241
Loss (gain) on sale of equipment	85	43	(76)
Tax benefit from exercise of stock options	-	1,158	388
Excess tax benefit from stock-based compensation	(496)	-	-
Deferred tax assets, net	1,485	6,236	4,201
Changes in operating assets and liabilities:			
Accounts receivable	(3,755)	(1,704)	(3,192)
Inventories	(2,059)	4,266	(825)
Prepaid expenses and other assets	(2,689)	427	3,263
Accounts payable	12,962	(6,377)	(1,237)
Accrued liabilities	(3,995)	(666)	(3,207)
Deferred revenue	542	(247)	93

Edgar Filing: CalAmp Corp. - Form 10-K

NET CASH PROVIDED BY OPERATING ACTIVITIES	16,723	22,380	12,536
<hr/>			
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(2,828)	(2,296)	(2,359)
Proceeds from sale of property and equipment	16	146	1,749
Acquisition of Dataradio net of cash acquired	(48,053)	-	-
Acquisition of TechnoCom product line	(2,486)	-	-
Acquisition of Skybility business	-	(4,897)	-
Proceeds from Vytek escrow fund distribution	480	-	-
Acquisition of Vytek, net of cash acquired	-	-	(1,776)
Other	(240)	-	-
<hr/>			
NET CASH USED IN INVESTING ACTIVITIES	(53,111)	(7,047)	(2,386)
<hr/>			
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from long-term debt	38,000	-	2,000
Debt repayments	(11,421)	(2,888)	(5,043)
Proceeds from exercise of stock options	1,397	2,290	1,056
Excess tax benefit from stock-based compensation	496	-	-
<hr/>			
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	28,472	(598)	(1,987)
<hr/>			
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(330)	-	-
<hr/>			
Net change in cash and cash equivalents	(8,246)	14,735	8,163
Cash and cash equivalents at beginning of year	45,783	31,048	22,885
<hr/>			
Cash and cash equivalents at end of year	\$ 37,537	\$ 45,783	\$ 31,048
<hr/>			

See accompanying notes to consolidated financial statements.

CALAMP CORP. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Description of Business

CalAmp Corp. ("CalAmp" or the "Company") is a provider of wireless communications products that enable anytime/anywhere access to critical information, data and entertainment content. CalAmp is the leading supplier of direct broadcast satellite (DBS) outdoor customer premise equipment to the U.S. satellite television market. The Company also provides wireless data communications solutions for the telemetry and asset tracking markets, private wireless networks, public safety communications, and critical infrastructure and process control applications.

On April 12, 2004, the Company completed the acquisition of Vytek Corporation ("Vytek"), a privately held company. The operations of Vytek are included in the Company's consolidated financial statements since that date. Vytek's products manufacturing business was combined with the Company's Products Division, and the remainder of Vytek's operations, primarily engineering services and software products, comprised the Company's Solutions Division.

Principles of Consolidation

Edgar Filing: CalAmp Corp. - Form 10-K

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Areas where significant judgments are made include, but are not limited to: allowance for doubtful accounts; inventory valuation; product warranties; deferred income tax asset valuation allowances; valuation goodwill, purchased intangible assets and other long-lived assets; 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 2007, 2006 and 2005 fell on March 3, 2007, February 25, 2006 and February 26, 2005, respectively. In these consolidated financial statements, the fiscal year end for all years is shown as February 28 for clarity of presentation. Fiscal 2007 consisted of 53 weeks, while fiscal years 2006 and 2005 each consisted of 52 weeks.

Revenue Recognition

The Company's Products Division 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 probable. 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's Products Division also undertakes projects that include the design, development and manufacture of public safety communication systems that are specially customized to customers' specifications or that involve fixed site construction. Sales under such contracts are recorded under the percentage-of-completion method in accordance with Statement of Position No. 81-1 "Accounting for Performance of Construction-Type and Certain Production-Type Contracts." ("SOP 81-1"). 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.

The Solutions Division derives revenues from the following sources: software licenses; maintenance and software support; and implementation services. The recognition of software license revenue is substantially governed by the provisions of AICPA Statement of Position No. 97-2, "Software Revenue Recognition" (SOP 97-2). For software license arrangements that do not require significant modification or customization of the underlying software, software license revenue is recognized upon delivery of the software provided there is evidence of an arrangement, the fee is fixed or determinable and collection of the sales price is considered probable. A substantial portion of the Solutions Division's software license revenues are recognized in this manner.

Edgar Filing: CalAmp Corp. - Form 10-K

Revenues from maintenance and software support, which includes unspecified software upgrades, are recognized ratably over the period of the arrangement, typically one year. Consulting implementation services are sold and are generally accounted for separately from software license revenues because the arrangements qualify as service transactions as defined in SOP 97-2.

Cash and Cash Equivalents

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

Concentrations of Risk

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

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

Customer	Year ended February 28,		
	2007	2006	2005
A	48.2%	55.5%	43.4%
B	18.0%	13.7%	17.1%

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

Customer	February 28,	
	2007	2006
A	30.6%	40.1%
B	24.4%	19.2%

A third customer that did not account for 10% or more of consolidated revenues in either of the last two years accounted for 16.4% and 12.3% of consolidated accounts receivable at February 28, 2007 and 2006, respectively.

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, 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

Edgar Filing: CalAmp Corp. - Form 10-K

method.

Investments

The Company classifies investments in one of three categories: trading, available-for-sale or held-to-maturity. Trading securities are bought and held principally for the purpose of selling them in the near term. Held-to-maturity securities are those securities that the Company has the ability and intent to hold until maturity. All other securities not included in trading or held-to-maturity are classified as available-for-sale.

Held-to-maturity securities are recorded at amortized cost, adjusted for the amortization or accretion of premiums or discounts. Unrealized holding gains and losses on trading securities are included in earnings. Unrealized holding gains and losses, net of the related tax effect, on available-for-sale securities are excluded from earnings and are reported as a component of accumulated other comprehensive income until realized, or until holding losses are deemed to be other than temporary, at which time an impairment charge is recorded.

Property, equipment and improvements

Property, equipment and improvements are stated at cost. The Company follows the policy of capitalizing expenditures that increase asset lives, and charging ordinary maintenance and repairs to operations, 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 operating income.

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

Operating Leases

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

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

The deferred rent liability is included in other current liabilities and other non-current liabilities in the accompanying consolidated balance sheets.

Goodwill and Other Intangible Assets

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

Edgar Filing: CalAmp Corp. - Form 10-K

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

Accounting for Long-Lived Assets Other Than Goodwill

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

Capitalized Software Costs

The Company capitalizes software costs once technological feasibility has been achieved based on the completion of product design and the detail program design. Periodic amortization is the greater of (1) an amount determined with reference to total estimated revenues to be generated by the product, or (2) an amount computed on a straight-line basis with reference to the product's expected life.

At February 28, 2007 and 2006, capitalized software costs in the amount of \$737,000 and \$98,000, respectively, were included in Other Assets in the Consolidated Balance Sheet. During fiscal 2007, amortization of capitalized software costs was \$82,000. This amount is included in Cost of Revenues in the Consolidated Statement of Operations. No amortization was recorded in fiscal 2006 because the software product was still under development during that period and was not yet available for general release to customers.

Disclosures About Fair Value of Financial Instruments

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

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

Long-term debt - The carrying value approximates fair value since the interest rate on the long-term debt approximates the interest rate which is currently available to the Company for the issuance of debt with similar terms and maturities.

Warranty

The Company 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 impacts of the known operational issues that may have a greater impact than historical trends. See Note 10 for a table of annual increases in and reductions of the warranty liability for the last three years.

Deferred Income Taxes

Edgar Filing: CalAmp Corp. - Form 10-K

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 on a quarterly basis, and a valuation allowance is provided, as necessary, in accordance with the provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes". During this evaluation, the Company reviews its forecasts of income in conjunction with the positive and negative evidence surrounding the realizability of its deferred income tax assets to determine if a valuation allowance is needed.

Foreign Currency Translation and Accumulated Other Comprehensive Loss Account

Prior to February 1, 2002, the Company's French subsidiary used the local currency as its functional currency. The local currency was the French franc until January 1, 2002 and the Euro beginning on that date. In connection with the conversion of the French subsidiary's local currency from the French franc to the Euro, effective January 1, 2002, the Company evaluated which currency, the Euro or the U.S. dollar, was best suited to be used as the functional currency. On the basis of this evaluation, management determined that the functional currency should be changed from the Euro to the U.S. dollar, and this change was made effective February 1, 2002. Accordingly, beginning in February 2002 gains and losses from remeasuring the French subsidiary's financial statements from the local currency (the Euro) into the reporting currency (the U.S. dollar) are included in the consolidated statement of operations. As a result of this 2002 change in functional currency, the foreign currency translation account balance of \$801,000 included in accumulated other comprehensive loss will remain unchanged until such time as the French subsidiary ceases to be part of the Company's consolidated financial statements. No income tax expense or benefit has been allocated to this component of accumulated other comprehensive loss because the Company expects that undistributed earnings of this foreign subsidiary will be reinvested indefinitely.

The Company's Canadian subsidiary uses the Canadian dollar, the local currency, as its functional currency. Its financial statements are translated into U.S. dollars using current or historical rates, as appropriate, with translation gains or losses included in the accumulated other comprehensive loss account in the stockholders' equity section of the consolidated balance sheet.

The aggregate foreign transaction exchange gains (losses) included in determining income before income taxes were \$362,000, \$(48,000) and \$35,000 in fiscal 2007, 2006 and 2005, respectively.

Earnings Per Share

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

Edgar Filing: CalAmp Corp. - Form 10-K

Accounting for Stock Options

The Financial Accounting Standards Board issued SFAS No. 123 (revised 2004), "Share-Based Payment" ("SFAS No. 123R"), which requires companies to measure all employee stock-based compensation awards using a fair value method and record such expense in their financial statements. The Company adopted SFAS No. 123R at the beginning of fiscal 2007 using the modified prospective application method. Accordingly, periods prior to fiscal 2007 were not restated. Under this adoption method, the Company records stock-based compensation expense for all awards granted on or after the date of adoption of SFAS No. 123R and for the portion of previously granted awards that remained unvested at the date of adoption. Currently, the Company's stock-based compensation relates to stock options awarded to employees and directors and restricted stock awarded to directors.

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

Prior to fiscal 2007, the Company applied the provisions of APB No. 25, "Accounting for Stock Issued to Employees," as permitted under SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure - an amendment of SFAS Statement No. 123."

The following table details the effect on net income and earnings per share assuming compensation expense had been recorded in the consolidated statement of operations during fiscal years 2006 and 2005 using the fair value method prescribed in SFAS No. 123, "Accounting for Stock-Based Compensation". Amounts are shown in thousands except per share amounts.

	Year ended February 28,	
	2006	2005
Net income as reported	\$14,562	\$8,076
Less total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(1,832)	(1,647)
Pro forma net income	\$12,730	\$6,429
Earnings per share:		
Basic -		
As reported	\$.64	\$.38
Pro forma	\$.56	\$.30
Diluted -		
As reported	\$.62	\$.36
Pro forma	\$.54	\$.29

Edgar Filing: CalAmp Corp. - Form 10-K

Included in the \$1,832,000 stock-based employee compensation expense for fiscal 2006 was \$607,000 expense, net of tax, pertaining to 82,125 options granted in February and April 2004 at exercise prices of \$14.76 and \$13.52 for which the vesting was accelerated in February 2006. These options were granted to employees who are not officers and directors of the Company. The Board of Directors authorized the acceleration of vesting of these out-of-the-money options to avoid the recognition of this expense in future financial statements.

Recent Authoritative Pronouncements

In September 2006, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin (SAB) No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements", which provides interpretive guidance on the consideration of the effects of prior year misstatements in quantifying current year misstatements for the purpose of a materiality assessment. The Company adopted SAB No. 108 as of the end of fiscal year 2007. The adoption of SAB No. 108 had no significant impact on the Company's fiscal 2007 financial position and results of operations.

In June 2006, the FASB issued FASB Interpretation No. 48, "Accounting for Income Tax Uncertainties" ("FIN 48"). FIN 48 defines the threshold for recognizing the benefits of tax return positions in the financial statements as "more-likely-than-not" to be sustained by the taxing authorities. FIN 48 provides guidance on the de-recognition, measurement and classification of income tax uncertainties, along with any related interest and penalties. FIN 48 also includes guidance concerning accounting for income tax uncertainties in interim periods and increases the level of disclosures associated with any recorded income tax uncertainties. The Company will be required to adopt FIN 48 at the beginning of its fiscal year 2008. The differences between the amounts recognized in the consolidated balance sheet prior to the adoption of FIN 48 and the amounts reported after adoption will be accounted for as a cumulative-effect adjustment recorded to the beginning balance of retained earnings. The Company is still evaluating the impact, if any, of adopting the provisions of FIN 48 on its financial position and results of operations.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." This statement defines fair value, establishes a framework for using fair value to measure assets and liabilities, and expands disclosures about fair value measurements. The statement applies whenever other statements require or permit assets or liabilities to be measured at fair value. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. The Company is currently determining the effect, if any, this pronouncement will have on its financial statements.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities". SFAS No. 159 permits entities to choose to measure, on an item-by-item basis, specified financial instruments and certain other items at fair value. Unrealized gains and losses on items for which the fair value option has been elected are required to be reported in earnings at each reporting date. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007, the provisions of which are required to be applied prospectively. The Company is currently determining the effect, if any, this pronouncement will have on its financial statements.

Note 2 - ACQUISITIONS

Dataradio Acquisition

Edgar Filing: CalAmp Corp. - Form 10-K

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

CAD \$7 million (equivalent to U.S. \$6,323,397 at the effective exchange rate on May 26, 2006) of the purchase price was deposited into an escrow account. In October 2006, CAD \$4 million was released from escrow to the selling stockholders of Dataradio. The remaining CAD \$3 million held in escrow is available as a source for the payment of indemnification claims of the Company. The remaining amount in the escrow account, if any, after satisfying indemnification claims will be distributed to Dataradio's selling stockholders on May 26, 2008. Amounts required to pay claims by the Company that are not resolved by such date will be held in the escrow account until such claims are resolved.

For financial reporting purposes the operations of Dataradio are included in the Company's Products Division business segment. Dataradio's operations are included in the accompanying fiscal 2007 consolidated statement of operations for the 40-week period from May 26, 2006 to February 28, 2007.

Dataradio is currently focused in three primary business lines: wireless data systems for public safety and first response applications; wireless data modems for fixed location critical infrastructure and industrial applications; and design and manufacture of radio frequency modules.

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

Purchase price paid in cash		\$54,291
Direct costs of acquisition		474

Total cost of acquisition		\$54,765
Fair value of net assets acquired:		
Current assets (including cash of \$6,711)		\$20,306
Property and equipment		927
Intangible assets:		
Developed/core technology	\$6,980	
Customer relationships	3,750	
Contracts backlog	1,480	
Tradename	3,880	
In-process research and development ("IPR&D")	6,850	

Total intangible assets		22,940
Current liabilities		(8,749)
Deferred tax liabilities, net		(5,980)
Long-term liabilities		(317)

Total fair value of net assets acquired		29,127

Edgar Filing: CalAmp Corp. - Form 10-K

Goodwill

\$25,638
=====

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

- * Dataradio is an established provider of radio frequency ("RF") modems and systems for public safety and private network data applications.
- * Dataradio has a history of profitable operations.
- * The products of Dataradio have high gross margins.
- * Dataradio has a diversified customer base.
- * CalAmp will have access to Dataradio's engineering resources.

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

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

The following is supplemental pro forma information presented as if the acquisition of Dataradio had occurred at the beginning of each of the respective periods. The pro forma financial information is not necessarily indicative of what the Company's actual results of operations would have been had Dataradio been included in the Company's consolidated financial statements for all of the periods ended February 28, 2007 and 2006. In addition, the unaudited pro forma financial information does not attempt to project the future results of operations of the combined company.

(in thousands, except per share data)

	Year Ended		Year Ended	
	February 28, 2007		February 28, 2006	
	As reported	Pro forma	As reported	Pro forma
Revenue	\$222,339	\$231,775	\$217,493	\$247,273
Net (loss) income	\$(31,188)	\$(24,306)	\$ 14,562	\$ 13,628
Net (loss) income per share:				
Basic	\$ (1.34)	\$ (1.04)	\$ 0.64	\$ 0.60
Diluted	\$ (1.34)	\$ (1.04)	\$ 0.62	\$ 0.58

Edgar Filing: CalAmp Corp. - Form 10-K

The pro forma adjustments for the year ended February 28, 2007 consist of adding Dataradio's estimated results of operations for the 13-week period ended May 26, 2006, because Dataradio is included in the "As reported" amounts for the 40-week period from the May 26, 2006 acquisition date to February 28, 2007. The pro forma adjustments for the year ended February 28, 2006 consist of adding Dataradio's results of operations for the 12 months ended January 31, 2006.

The pro forma financial information for both periods presented above reflects the following:

- * Additional amortization expense of approximately \$746,000 and \$2,984,000 for the years ended February 28, 2007 and 2006, respectively, related to the estimated fair value of identifiable intangible assets from the purchase price allocation; and
- * Additional interest expense and amortization of debt issue costs in the total amount of approximately \$494,000 and \$1,976,000 for the years ended February 28, 2007 and 2006, respectively, related to the incremental new bank borrowings to fund part of the Dataradio purchase price.

The unaudited pro forma financial information above excludes the following material, non-recurring charges or credits recorded by CalAmp or Dataradio in the quarter ended May 31, 2006:

- * A charge for IPR&D of \$6,850,000 related to the Dataradio acquisition;
- * A foreign currency hedging gain of \$689,000 realized by CalAmp in connection with the acquisition of Dataradio; and
- * A charge for Dataradio employee bonuses and related employer payroll taxes in the aggregate amount of \$5,355,000, recorded as an expense in Dataradio's pre-acquisition statement of operations, for incentives paid by Dataradio to its workforce upon consummating the sale of Dataradio to CalAmp.

TechnoCom Product Line Acquisition

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

Revenues and cost of sales generated by the MRM product line are included in the accompanying fiscal 2007 consolidated statement of operations for the 40-week period from May 26, 2006 to February 28, 2007.

The Company acquired the business of the MRM product line, its inventory, intellectual property and other intangible assets. No liabilities were assumed in the acquisition. Pursuant to the Agreement, the Company made an initial cash payment of \$2,439,000, of which \$250,000 was set aside in an escrow account to satisfy any claims made by the Company on or before May 26, 2007. The Company also agreed to make an additional future cash payment equal to the amount of net revenues attributable to the MRM product line

Edgar Filing: CalAmp Corp. - Form 10-K

during the 12-month period following the acquisition that exceeds \$3,100,000 (the "Earn-out Payment"). In addition, the Company agreed to license certain software from TechnoCom with a first year cost of approximately \$200,000.

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

Purchase price paid in cash	\$2,439
Direct costs of acquisition	47

Total cost of acquisition	2,486
Fair value of net assets acquired:	
Inventories	\$ 290
Intangible assets:	
Developed/core technology	980
Customer relationships	810
Contracts backlog	310
Covenants not to compete	170

Total fair value of net assets acquired	2,560

Negative goodwill	\$ (74)
	=====

The negative goodwill of \$74,000 is included in Other Accrued Liabilities in the consolidated balance sheet at February 28, 2007. Pro forma information on this acquisition has not been provided because the effects are not material to the Company's consolidated financial statements.

Skybility Acquisition

On April 18, 2005, the Company acquired the business and certain assets of Skybility, a privately held company located in Carlsbad, California, pursuant to an Asset Purchase Agreement dated April 18, 2005 (the "Agreement"). Skybility is a developer and supplier of embedded cellular transceivers used in telemetry and asset tracking applications that operate on the Global System for Mobile Communications (GSM) network and the Advanced Mobile Phone Service (AMPS) network. The Skybility business operates as the Machine-to-Machine ("M2M") product line of the Company's Products Division.

Skybility's operations are included in the accompanying fiscal 2006 consolidated statement of operations for the 45-week period from April 18, 2005 to February 28, 2006.

The acquisition of Skybility was motivated primarily by the strategic goals of increasing the Company's presence in markets that offer higher growth and profit margin potential, and diversifying the Company's business and customer base beyond its current dependence on the two major U.S. DBS system operators.

The Company acquired the business of Skybility, its inventory, fixed assets, intellectual property and other intangible assets. No liabilities were assumed in the acquisition. Pursuant to the Agreement, the Company made an initial cash payment of \$4,829,000 and agreed to make a future cash payment if certain financial performance targets during the 12-month period ending April 18, 2006 were attained. These performance targets were not met.

Following is the purchase price allocation (in thousands):

Edgar Filing: CalAmp Corp. - Form 10-K

Purchase price paid in cash	\$4,829	
Direct costs of acquisition	68	

Total cost of acquisition	\$4,897	=====
Fair value of net assets acquired:		
Inventories	\$1,080	
Property and equipment	360	
Developed/core technology	1,683	
Customer lists	993	
Covenants not to compete	321	
Contracts backlog	150	
In-process research and development	310	

Total fair value of net assets acquired	\$4,897	=====

The \$310,000 allocated to in-process research and development in the purchase price allocation above was charged to expense following the acquisition.

Vytek Acquisition

On April 12, 2004, the Company acquired Vytek Corporation, a privately held company headquartered in San Diego, California. Vytek was a provider of technology integration solutions involving a mix of professional services and proprietary software and hardware products, serving the needs of enterprise customers and original equipment manufacturers.

Pursuant to the acquisition agreement, the Company issued approximately 8,123,400 shares of common stock as the purchase consideration, of which 854,700 shares were originally placed into an escrow account and approximately 7,268,700 shares were issued to the selling shareholders of Vytek. The Company also assumed all fully vested Vytek stock options and stock purchase warrants that were outstanding at the time of the merger.

For purchase accounting purposes, the fair market value per share used to value the 7,268,700 shares issued to the Vytek selling stockholders was \$11.26 per share, which was the average closing price of the Company's common stock on the NASDAQ National Market for the period beginning two trading days before and ending two trading days after December 23, 2003, the day that the merger terms were agreed to and announced.

The Company entered into an escrow agreement with a designated representative of the selling stockholders of Vytek and an independent escrow agent. Under the terms of the escrow agreement, the 854,700 shares of CalAmp's common stock deposited into the escrow account were to serve as security for potential indemnity claims by the Company under the acquisition agreement. The acquisition agreement provided that in the event Vytek's balance sheet as of the acquisition date reflected working capital (as defined in the acquisition agreement) of less than \$4 million, then CalAmp could recover such deficiency from the escrow account (the "Working Capital Adjustment"). In November 2004, the Company and the selling stockholders of Vytek reached an agreement on the final Working Capital Adjustment of \$4,907,000, which equated to 628,380 shares of CalAmp's common stock based on its average share price (as defined in the acquisition agreement). These 628,380 shares were canceled and were returned to the status of authorized, unissued shares. In November 2005, the escrow agent sold 1,444 shares from the escrow account to pay for the legal fees of the Vytek Stockholder

Edgar Filing: CalAmp Corp. - Form 10-K

Representative. As of February 28, 2006, there were 224,876 shares of CalAmp's common stock remaining in the escrow account. In April 2006, as permitted by the terms of the escrow agreement, the Vytek Stockholder Representative directed the escrow agent to sell 46,000 shares of common stock from the escrow account. The net cash proceeds of approximately \$523,000 were deposited to the escrow account. Also in April 2006, to resolve certain indemnification issues which had been in dispute, the Company and the Vytek Stockholder Representative entered into an agreement whereby the escrow agent paid the Company \$480,000 in cash from the escrow account. The escrow agent also paid legal fees of the Vytek Stockholder Representative and the remaining cash and common stock in the escrow account was released to the selling stockholders of Vytek in June 2006.

The common shares deposited to the escrow account were, for accounting purposes, treated as contingent consideration, and accordingly were excluded from the purchase price determination until April 2006 when the remaining escrow fund assets became distributable to the Vytek selling stockholders, as described above. The release of the escrow fund assets was recorded as additional goodwill in the amount of \$2,052,000 during fiscal 2007.

The goodwill that resulted from the Vytek acquisition in the original amount of \$71,896,000 was apportioned between the Company's two reporting units (the Products Division and the Solutions Division) because both reporting units were expected to benefit from the synergies of the merger. An independent valuation specialist was engaged to perform this goodwill apportionment analysis. This analysis resulted in an apportionment of the total Vytek acquisition goodwill to the Products Division and the Solutions Division in the amounts of \$36,847,000 and \$35,049,000, respectively.

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

The \$471,000 allocated to in-process research and development in the purchase price allocation above was charged to expense immediately following the acquisition.

NOTE 3 - INVENTORIES

Inventories consist of the following (in thousands):

	February 28,	
	2007	2006
Raw materials	\$21,256	\$14,375
Work in process	505	380
Finished goods	3,968	3,524
	\$25,729	\$18,279
	=====	=====

NOTE 4 - PROPERTY, EQUIPMENT AND IMPROVEMENTS

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

	February 28,	
	2007	2006
Leasehold improvements	\$ 1,425	\$ 1,415

Edgar Filing: CalAmp Corp. - Form 10-K

Plant equipment and tooling	19,099	15,434
Office equipment, computers and furniture	4,994	5,751
	-----	-----
	25,518	22,600
Less accumulated depreciation and amortization	(19,210)	(17,162)
	-----	-----
	\$ 6,308	\$ 5,438
	=====	=====

Note 5 - GOODWILL AND OTHER INTANGIBLE ASSETS

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

	Products	Solutions	Total
	-----	-----	-----
Balance as of February 28, 2004	\$ 20,938	\$ -	\$ 20,938
Goodwill from Vytek acquisition (see Note 2)	36,847	35,049	71,896
	-----	-----	-----
Balance as of February 28, 2005	57,785	35,049	92,834
Realized deferred tax assets from Vytek acquisition			(1,219)
			(1,219)
Removal of goodwill associated with the sale of assets	-	(230)	(230)
Other change	-	1	1
	-----	-----	-----
Balance as of February 28, 2006	57,785	33,601	91,386
Distribution of escrow shares as additional purchase price for the 2004 Vytek acquisition	1,052	1,000	2,052
Goodwill associated with Dataradio acquisition	25,638	-	25,638
Impairment writedown	-	(29,012)	(29,012)
Other changes	100	(163)	(63)
	-----	-----	-----
Balance as of February 28, 2007	\$ 84,575	\$ 5,426	\$ 90,001
	=====	=====	=====

Impairment tests of goodwill associated with the Products Division and the Solutions Division are conducted annually as of December 31 and April 30, respectively. The annual Products Division tests conducted in the last three fiscal years indicated no impairment of that division's goodwill.

The initial annual impairment test of the goodwill associated with the Solutions Division was performed as of April 30, 2005, which indicated that there was no impairment of Solutions Division goodwill at that date.

The annual impairment test of the Solutions Division goodwill as of April 30, 2006 indicated that there was an impairment of Solutions Division goodwill at that date. The goodwill impairment test is a two-step process. Under the first step, the fair value of the Solutions Division was compared with its carrying value (including goodwill). The fair value of the Solutions Division using a discounted cash flow approach was \$29,848,000 less than its carrying value, which indicated that a goodwill impairment existed and which required the Company to perform step two of the impairment test. In the second step, the implied fair value of the Solutions Division's goodwill was calculated and then compared to the carrying amount of that

Edgar Filing: CalAmp Corp. - Form 10-K

goodwill. The goodwill carrying amount exceeded the implied fair value by \$29,012,000 which was recognized as an impairment loss. The implied goodwill amount was determined by allocating the fair value of the Solutions Division to all of the assets and liabilities of the Solutions Division as if the Solutions Division had been acquired in a business combination as of the date of the impairment test.

In connection with the second step of the Solutions Division goodwill impairment test, fair value was allocated to tangible net assets and to recognized intangible assets as of the test date. There were no unrecognized intangible assets as of the testing date. The undiscounted future net cash flows of the recognized intangible assets were less than their carrying amount, which indicated that the assets were impaired. Accordingly, the Company recognized an impairment loss of \$836,000 related to these intangible assets. The \$29,848,000 impairment loss recognized in fiscal 2007 is the sum of the \$29,012,000 impairment of goodwill and the \$836,000 impairment of intangible assets.

Factors that led to the impairment of goodwill and other intangible assets of the Solutions Division as of April 30, 2006 include the following:

* Throughout fiscal 2006, the quarterly revenue of the Solutions Division had not been growing, but instead was declining due to the loss of key customers and management's decision to exit low margin business with certain other customers in order to reduce operating losses in this division. During fiscal 2006, the Company forecasted that it would be able to replace these customers with new business to grow revenues and make the Solutions Division profitable. However, the Solutions Division was unable to book sufficient new business to reverse the decline in revenue and this situation, along with the continued sluggish revenue performance in the first quarter of fiscal 2007, led Company management to conclude that the revenue projection for fiscal 2007 and later years as reflected in the prior year's goodwill impairment test conducted as of April 30, 2005 was not achievable.

* Substantially all of the quarter-to-quarter revenue declines of the Solutions Division during fiscal 2006 through the first quarter of fiscal 2007 were attributable to its Information Technology ("IT") professional consulting business. Failure to gain new major customers, the small amount of backlog and new order pipeline and low margin business led to management's decision to exit the Solutions Division's IT professional consulting business near the end of the fiscal 2007 first quarter.

* The cost structure and limited availability of critical engineering resources of the IT professional consulting business made this unit unable to compete with large consulting companies that have multiple design centers in lower cost regions of the United States and foreign technology centers such as India.

* The Company's financial projections as of April 30, 2006 included the operations of its software business unit only, because of the decision to exit the IT professional consulting business. The loss of projected revenues and operating income from the IT professional consulting business contributed to the decline in the projected cash flows.

Intangible assets are comprised as follows (in thousands):

	February 28, 2007			February 28, 2006		
Amorti- zation Period -----	Gross Carrying Amount -----	Accum. Amorti- zation -----	Net -----	Gross Carrying Amount -----	Accum. Amorti- zation -----	Net -----

Edgar Filing: CalAmp Corp. - Form 10-K

Developed/core technology	5-7 yrs.	\$12,992	\$3,816	\$9,176	\$5,032	\$1,561	\$3,471
Customer lists	5-7 yrs.	6,680	1,848	4,832	2,120	601	1,519
Contracts backlog	1 yr.	1,790	1,378	412	995	995	-
Covenants not to compete	4-5 yrs.	491	148	343	721	457	264
Licensing right	2 yrs.	200	200	-	200	150	50
Tradename	N/A	3,880	-	3,880	-	-	-
		-----	-----	-----	-----	-----	-----
		\$26,033	\$7,390	\$18,643	\$9,068	\$3,764	\$5,304
		=====	=====	=====	=====	=====	=====

Amortization expense of intangible assets was \$4,185,000, \$1,871,000 and \$1,693,000 for the years ended February 28, 2007, 2006 and 2005, respectively.

Estimated amortization expense for the fiscal years ending February 28 is as follows:

2008	\$3,542,000
2009	\$3,130,000
2010	\$2,578,000
2011	\$1,996,000
2012	\$1,660,000
Thereafter	\$1,857,000

NOTE 6 - FINANCING ARRANGEMENTS AND CONTRACTUAL CASH OBLIGATIONS

Long-term Debt

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

	February 28,	
	2007	2006
	-----	-----
Bank term loan payable and working capital line of credit with US Bank, repaid in full in May 2006	\$ -	\$ 7,642
Term loan with Bank of Montreal	34,250	-
Capital lease obligations		8
	-----	-----
Total debt	34,258	7,679
Less portion due within one year	(2,944)	(2,168)
	-----	-----
Long-term debt	\$31,314	\$ 5,511
	=====	=====

The Company's credit agreement with U.S. Bank National Association ("US Bank") was terminated during fiscal 2007.

On May 26, 2006, the Company entered into a Credit Agreement (the "Credit Agreement") with Bank of Montreal, as administrative agent, and the other financial institutions that from time to time may become parties to the Credit Agreement. The credit facility is comprised of a term loan and a \$10 million working capital line of credit.

The Company initially borrowed \$35 million under the term loan and \$3 million under the line of credit. Borrowings are secured by substantially all of the assets of CalAmp Corp. and its domestic subsidiaries. Of the

Edgar Filing: CalAmp Corp. - Form 10-K

total proceeds of \$38 million, \$7 million was used to pay off the Company's existing loans with US Bank and the remaining \$31 million, plus cash on hand of approximately \$23 million, was used to fund the purchase price for the Dataradio acquisition as described in Note 2. In the fiscal 2007 third quarter, the Company made a principal repayment of \$750,000 on the term loan and repaid in full the \$3,000,000 principal balance of the line of credit. At February 28, 2007, \$2,375,000 of the line of credit was reserved for outstanding irrevocable stand-by letters of credit, and \$7,625,000 was available to borrow.

The term loan principal is payable in quarterly installments on the last day of March, June, September and December in each year commencing on March 31, 2007 with a final payment of \$8,563,000 on May 26, 2011. The maturity date of the line of credit is also May 26, 2011. Scheduled principal payments by fiscal year are as follows:

Fiscal Year	Term Loan
-----	-----
2008	\$ 2,936,000
2009	4,893,000
2010	6,850,000
2011	8,807,000
2012	10,764,000

	\$34,250,000
	=====

At the Company's option, borrowings under the Credit Agreement bear interest at bank's prime rate ("Prime Based Loans") plus a margin ranging from 0% to 0.25% (the "Prime Rate Margin") or LIBOR ("LIBOR Based Loans") plus a margin ranging from 0.75% to 1.25% (the "LIBOR Margin"). The Prime Rate Margin and the LIBOR Margin vary depending on the Company's ratio of debt to earnings before interest, taxes, depreciation, amortization and other noncash charges (the "Leverage Ratio"). Interest is payable on the last day of the calendar quarter for Prime Based Loans and at the end of the fixed rate LIBOR period (ranging from 1 to 12 months) in the case of LIBOR Based Loans. Under the Credit Agreement, the Company is also obligated to pay a commitment fee on the unused portion of the \$10 million line of credit. During fiscal 2007, the commitment fee amounted to \$14,000.

The Credit Agreement contains certain financial covenants and ratios that the Company is required to maintain, including a fixed charge coverage ratio of not less than 1.50, a leverage ratio of not more than 2.75, and minimum net worth of at least \$141,394,000. At February 28, 2007, the Company was in compliance with all such covenants.

The Credit Agreement includes customary affirmative and negative covenants including, without limitation, negative covenants regarding additional indebtedness, investments, maintenance of the business, liens, guaranties, transfers and sales of assets, and the payment of dividends and other restricted payments. The Credit Agreement also contains certain events of default, including the failure to make timely payments under the Credit Agreement or other material indebtedness and the failure to adhere to certain covenants, that would permit the bank to accelerate borrowings under the Credit Agreement in the event that a default were to occur and not be cured within applicable grace periods.

Contractual Cash Obligations

Following is a summary of the Company's contractual cash obligations as of February 28, 2007 (in thousands):

Edgar Filing: CalAmp Corp. - Form 10-K

Contractual Obligations	Future Cash Payments Due by Fiscal Year					There- after	Total
	2008	2009	2010	2011	2012		
Debt	\$ 2,936	\$4,893	\$6,850	\$ 8,807	\$10,764	-	\$34,250
Capital leases	9	-	-	-	-	-	9
Operating leases	2,420	2,209	1,654	1,526	382	23	8,214
Purchase obligations	38,397	35	-	-	39	-	38,471
Total contractual cash obligations	\$43,762	\$7,137	\$8,504	\$10,333	\$11,185	\$ 23	\$80,944

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

Rent expense under operating leases was \$2,545,000, \$2,291,000 and \$2,363,000 for fiscal years 2007, 2006 and 2005, respectively.

NOTE 7 - INCOME TAXES

The Company's income (loss) before income taxes consists of the following (in thousands):

	Year ended February 28,		
	2007	2006	2005
Domestic	\$ (27,929)	\$24,319	\$13,089
Foreign	(478)	110	(161)
	\$ (28,407)	\$24,429	\$12,928

The tax provision consists of the following (in thousands):

	Year ended February 28,		
	2007	2006	2005
Current:			
Federal	\$ 363	\$ 2,056	\$ 185
State	114	265	200
Foreign	29	151	(121)
Total current	506	2,472	264
Deferred:			
Federal	2,179	4,082	2,940
State	(694)	2,155	1,202
Total deferred	1,485	6,237	4,142
Charge in lieu of taxes attributable to tax benefit from stock options and warrants	790	1,158	446

Edgar Filing: CalAmp Corp. - Form 10-K

\$ 2,781 \$ 9,867 \$ 4,852
 ===== ===== =====

Differences between the income tax provision and income taxes computed using the statutory U.S. federal income tax rate are as follows (in thousands):

	Year ended February 28,		
	2007	2006	2005
	-----	-----	-----
Income tax at U.S. statutory federal rate (35% in 2007 and 2006 and 34% in 2005)	\$ (9,942)	\$ 8,550	\$ 4,395
State income taxes, net of federal income tax effect	255	1,350	800
Foreign taxes	192	113	(66)
In-process research and development	2,398	-	160
Impairment of goodwill	10,154	-	-
Valuation allowance reductions	-	-	(630)
Other, net	(276)	(146)	193
	-----	-----	-----
	\$ 2,781	\$ 9,867	\$ 4,852
	=====	=====	=====

The components of the net deferred income tax asset (liability) at February 28, 2007 and 2006 for U.S. income tax purposes are as follows (in thousands):

	February 28,	
	2007	2006
	-----	-----
Inventory reserve	\$ 537	\$ 838
Allowance for doubtful accounts	192	82
Warranty reserve	507	194
Compensation and vacation accruals	486	170
Goodwill amortization	(2,863)	(2,267)
Depreciation and amortization of other intangible assets	753	(90)
Capitalized R&D cost amortization	135	227
Stock-based compensation	781	-
Net operating loss carryforward	1,283	8,272
Financial accounting basis of net assets of acquired companies different than tax basis	(7,152)	(1,841)
Research and development credits	2,490	982
Other tax credits	1,690	1,277
Other, net	188	383
	-----	-----
Valuation allowance	(973)	8,227
	(1,841)	(1,841)
	-----	-----
Net deferred tax asset (liability)	(2,814)	6,386
Less current portion	4,637	4,042
	-----	-----
Non-current portion	\$ (7,451)	\$2,344
	=====	=====

The Company also has deferred tax assets for Canadian income tax purposes arising from the acquisition of Dataradio amounting to \$3,375,000 at

Edgar Filing: CalAmp Corp. - Form 10-K

February 28, 2007 which relate primarily to research and development tax credits for Canadian federal and Quebec provincial income taxes. Of this total Canadian deferred tax assets amount, \$2,196,000 existed at the time of the Dataradio acquisition in May 2006 and \$1,179,000 arose subsequent to the acquisition. The Company has provided a 100% valuation allowance against these Canadian deferred tax assets at February 28, 2007. If in the future a portion or all of the \$3,375,000 valuation allowance for the Canadian deferred tax assets is no longer deemed to be necessary, reductions of the valuation allowance up to \$2,196,000 will decrease the goodwill balance associated with the Dataradio acquisition, and reductions of the valuation allowance in excess of \$2,196,000 will reduce the income tax provision.

At February 28, 2007, the Company had an aggregate net deferred tax credit balance of \$2,814,000. The current portion of this amount is a deferred tax asset of \$4,637,000 and the noncurrent portion is a deferred tax liability of \$7,451,000. The noncurrent portion of deferred income taxes is comprised primarily of (i) a deferred tax liability of \$4,878,000 associated with acquired intangible assets of Dataradio and (ii) a deferred tax liability of \$2,863,000 related to goodwill arising from certain acquisitions in prior years that is amortizable for income tax purposes but not for financial reporting purposes.

Vytek, which was acquired by the Company in April 2004, has tax loss carryforwards and other tax assets that the Company believes will be utilizable to some extent in the future, subject to change of ownership limitations pursuant to Section 382 of the Internal Revenue Code and to the ability of the combined post-merger company to generate sufficient taxable income to utilize the benefits before the expiration of the applicable carryforward periods. At February 28, 2007, the Company has a deferred tax asset valuation allowance of \$1,841,000 relating to the assets acquired in the Vytek purchase. If in the future a portion or all of the \$1,841,000 valuation allowance is no longer deemed to be necessary, reductions of the valuation allowance will decrease the goodwill balance associated with the Solutions Division. Conversely, if in the future the Company were to change its realization probability assessment to less than 50%, the Company would provide an additional valuation allowance for all or a portion of the net deferred income tax asset, which would increase the income tax provision.

At February 28, 2007, the Company had net operating loss carryforwards ("NOLs") of approximately \$10.4 million and \$17.7 million for federal and state purposes, respectively. The federal NOLs expire at various dates through fiscal 2023, and the state NOLs expire at various dates through fiscal 2014.

As of February 28, 2007, the Company had foreign tax credit carryforwards of \$633,000 expiring at various dates through 2013 and research and development tax credit carryforwards of \$1,566,000 and \$1,421,000 for federal and state income tax purposes, respectively, expiring at various dates through 2027.

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

NOTE 8 - STOCKHOLDERS' EQUITY

Stock Options

Edgar Filing: CalAmp Corp. - Form 10-K

Effective July 30, 2004, the Company adopted the 2004 Incentive Stock Plan (the "2004 Plan"). Under the 2004 Plan, stock options can be granted at prices not less than 100% of the fair market value at the date of grant. Option grants become exercisable on a vesting schedule established by the Compensation Committee of the Board of Directors at the time of grant, usually over a four-year period. Options can no longer be granted under the Company's 1999 Stock Option Plan, the 1989 Key Employee Stock Option Plan, or the 2000 VyteK stock option plan that was assumed by the Company in the VyteK acquisition.

Option grants are issued at market value on the date of grant and generally become exercisable in four equal annual installments beginning one year from the date of grant. Option grants expire 10 years after the date of grant. The Company treats an option grant with graded vesting as a single award for expense attribution purposes and recognizes compensation cost on a straight-line basis over the requisite service period of the entire award.

The following table summarizes the option activity for fiscal years 2007, 2006 and 2005 (in thousands except dollar amounts):

	Number of Options	Weighted Average Option Price
	-----	-----
Outstanding at February 28, 2004	2,578	\$10.05
Granted	762	9.44
Assumed in VyteK acquisition	149	42.87
Exercised	(309)	3.41
Forfeited or expired	(536)	18.25
	-----	-----
Outstanding at February 28, 2005	2,644	\$10.46
Granted	743	6.21
Exercised	(516)	4.43
Forfeited or expired	(248)	14.16
	-----	-----
Outstanding at February 28, 2006	2,623	\$10.09
Granted	667	12.23
Exercised	(341)	4.10
Forfeited or expired	(488)	15.99
	-----	-----
Outstanding at February 28, 2007	2,461	\$10.33
	=====	=====
Exercisable at February 28, 2007	1,370	\$11.16
	=====	=====

Changes in the shares of the Company's nonvested restricted stock during the year ended February 28, 2007 were as follows (in thousands except dollar amounts):

	Number of Shares	Weighted Average Fair Value
	-----	-----
Outstanding at February 28, 2006	-	\$ -
Granted	24	6.51
Vested	-	-
Forfeited	(4)	6.51
	-----	-----
Outstanding at February 28, 2007	20	\$ 6.51
	=====	=====

At February 28, 2007, there were 1,694,101 award units available for

Edgar Filing: CalAmp Corp. - Form 10-K

grant under the 2004 Plan. The grant of one stock option is equal to one award unit. In the event other forms of equity awards, such as restricted stock units (RSUs) or shares of restricted stock, are granted under the 2004 Plan, they will reduce the amount of award units available to grant under the 2004 Plan at the rate of 1.2 award units for each RSU or share of restricted stock granted.

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

Black-Scholes Valuation Assumptions (1)	Year ended February 28,		
	2007	2006	2005
Expected life (years) (2)	6	5	5
Expected volatility (3)	69%-81%	68%-95%	135%-136%
Risk-free interest rates (4)	4.6%-5.2%	3.9%-4.6%	3.3%-4.8%
Expected dividend yield	0%	0%	0%

- (1) Beginning on the date of adoption of SFAS No. 123R, forfeitures are estimated based on historical experience; prior to the date of adoption, forfeitures were recorded as they occurred.
- (2) The expected life of stock options is estimated based on historical experience.
- (3) The expected volatility is estimated based on historical volatility of the Company's stock price.
- (4) Based on the U.S. Treasury constant maturity interest rate whose term is consistent with the expected life of the stock options.

The weighted average fair value for stock options granted in fiscal years 2007, 2006 and 2005 (2005 excludes the options and warrants assumed in the Vytek acquisition) was \$8.63, \$4.51 and \$8.06, respectively.

The weighted average remaining contractual term and the aggregate intrinsic value of options outstanding as of February 28, 2007 was 6.7 years and \$4.8 million, respectively. The weighted average remaining contractual term and the aggregate intrinsic value of options exercisable as of February 28, 2007 was 5.3 years and \$3.4 million, respectively. The total intrinsic value for stock options exercised during the year ended February 28, 2007 was \$1,463,000. Net cash proceeds from the exercise of stock options for the year ended February 28, 2007 was \$1,397,000 and the associated income tax benefit was \$568,000 for that same time period.

Stock-based compensation expense for the year ended February 28, 2007 was \$2,213,000. Such expense is included in the following captions of the consolidated statement of operations:

Cost of revenues	\$ 114
Research and development	265
Selling	263
General and administrative	1,571

	\$2,213
	=====

As of February 28, 2007, there was \$5.9 million of total unrecognized stock-based compensation cost related to nonvested stock options and nonvested restricted stock. That cost is expected to be recognized over a weighted-average remaining vesting period of 3.0 years.

Preferred Stock Purchase Rights

Edgar Filing: CalAmp Corp. - Form 10-K

At February 28, 2007, 23,595,091 preferred stock purchase rights are outstanding. Each right may be exercised to purchase one-hundredth of a share of Series A Participating Junior Preferred Stock at a purchase price of \$50 per right, subject to adjustment. The rights may be exercised only after commencement or public announcement that a person (other than a person receiving prior approval from the Company) has acquired or obtained the right to acquire 20% or more of the Company's outstanding common stock. The rights, which do not have voting rights, may be redeemed by the Company at a price of \$.01 per right within ten days after the announcement that a person has acquired 20% or more of the outstanding common stock of the Company. In the event that the Company is acquired in a merger or other business combination transaction, provision shall be made so that each holder of a right shall have the right to receive that number of shares of common stock of the surviving company which at the time of the transaction would have a market value of two times the exercise price of the right. 750,000 shares of Series A Junior Participating Cumulative Preferred Stock, \$.01 par value, are authorized.

Note 9 - EARNINGS PER SHARE

Following is a summary of the calculation of basic and diluted weighted average shares outstanding for fiscal 2007, 2006 and 2005 (in thousands):

	Year ended February 28,			
	2007	2006	2005	
Weighted average shares:				
Basic weighted average number of common shares outstanding	23,353	22,605	21,460	
Effect of dilutive securities:				
Stock options	-	628	632	
Shares held in escrow	-		182	101
Diluted weighted average number of common shares outstanding	23,353	23,415	22,193	

Options outstanding at February 28, 2007 were excluded from the computation of diluted earnings per share for the year then ended because the Company reported a year-to-date net loss and the effect of inclusion would be antidilutive (i.e., including such options would result in a lower loss per share).

Outstanding stock options in the amount of 533,000 and 836,000 at February 28, 2006 and 2005, respectively, which had exercise prices ranging from \$10.49 to \$304.67 and \$7.95 to \$304.67, respectively, were not included in the computation of diluted earnings per share for the years then ended because the exercise price of these options was greater than the average market price of the common stock and accordingly the effect of inclusion would be antidilutive.

In connection with the acquisition of Vytek, at February 28, 2006, 224,876 shares of common stock were held in an escrow account to satisfy indemnification claims by the Company as further described in Note 2 herein. These shares held in escrow were excluded from the basic weighted average number of common shares outstanding. However, the dilutive impact of these shares was included in the diluted weighted average number of common shares outstanding in 2006 and 2005.

Edgar Filing: CalAmp Corp. - Form 10-K

NOTE 10 - OTHER FINANCIAL INFORMATION

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

	Year ended February 28,		
	2007	2006	2005
	-----	-----	-----
Interest paid	\$ 1,964	\$ 453	\$ 462
Income taxes paid (net refunds received)	\$ (1,364)	\$2,721	\$ 78

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

	Year ended February 28,		
	2007	2006	2005
	-----	-----	-----
Company common stock issued from escrow fund as additional purchase consideration for the 2004 VyteK acquisition	\$ 2,052	\$ -	\$ -
Fair value of Company common stock received as consideration from the sale of assets	\$ -	\$ 190	\$ -
Company common stock issued from escrow fund to reimburse legal fees of the VyteK Stockholder Representative	\$ -	\$ 16	\$ -
Issuance of common stock and assumption of stock options and warrants as consideration for acquisition of VyteK Corporation, net of common stock held in escrow	\$ -	\$ -	\$83,384

Valuation and Qualifying Accounts

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

	Balance at beginning of period	Charged (credited) to costs and expenses	Deductions	Others	Balance at end of period
	-----	-----	-----	-----	-----
Allowance for doubtful accounts:					
Fiscal 2005	211	192	(236)	310 (1)	477
Fiscal 2006	477	(71)	(203)	-	203

Edgar Filing: CalAmp Corp. - Form 10-K

Fiscal 2007	203	116	(56)	84 (2)	347
Warranty reserve:					

Fiscal 2005	159	234	(514)	867 (1)	746
Fiscal 2006	746	223	(492)	-	477
Fiscal 2007	477	1,708	(981)	91 (2)	1,295

(1) These represent amounts of allowances and reserves pertaining to the assets acquired from Vyttek.

(2) These represent amounts of allowances and reserves pertaining to the assets acquired from Dataradio.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

Operating Lease Commitments

The Company leases the building that houses its corporate office, Products Division offices and manufacturing plant in Oxnard, California under an operating lease that expires June 30, 2011. The lease agreement requires the Company to pay all maintenance, property taxes and insurance premiums associated with the building. In addition, the Products Division leases small facilities in California, Minnesota and France. In connection with the May 2006 acquisition of Dataradio, the Company assumed facility leases in Canada, Minnesota and Georgia. The Solutions Division leases offices in California. The Company also leases certain manufacturing equipment and office equipment under operating lease arrangements. A summary of future operating lease commitments is included in the contractual cash obligations table in Note 6.

DBS Product Field Performance Issues

During fiscal 2007, the Company received notification from Echostar, its largest customer, that it was encountering field performance issues with a DBS product that the Company shipped during calendar years 2004 through 2006. After examining the various component parts used in the manufacture of these products, it was determined by the Company that the performance issues were the result of a deterioration of the laminate material used in the printed circuit boards of these products. During fiscal 2007, Echostar returned approximately 250,000 units to the Company for testing and possible rework, the majority of which were received by the Company during the fourth quarter of fiscal 2007. An additional 113,000 units have been returned by Echostar to the Company subsequent to fiscal 2007, and it is possible that additional units may be returned to the Company in the future.

From the time the problem was isolated to the laminate material until March 2007, the Company worked with the supplier of the laminate material and with Echostar to identify a corrective action. Notwithstanding these efforts, on March 26, 2007 the laminate supplier filed a Complaint for Declaratory Relief in the State of Massachusetts in which it claimed that it is not responsible for the field performance issues of these DBS products.

Also in March 2007, the Company learned that Echostar had awarded its orders for this DBS product for future requirements beginning in June 2007 to other suppliers. The Company believes that the field performance issues were the primary reason for the loss of this business. The Company has continued to work with Echostar to mitigate the impact of these performance issues and to identify and implement a corrective action plan. The Company believes that this matter will adversely affect its sales volume with Echostar for

Edgar Filing: CalAmp Corp. - Form 10-K

fiscal 2008.

On May 16, 2007, the Company filed a lawsuit against the laminate supplier in the U.S. District Court for the Central District of California for negligence, strict product liability, intentional misrepresentation and negligent interference with prospective economic advantage, among other causes of action.

The Company has established a warranty reserve as of February 28, 2007 that it believes is adequate to cover the resolution of these field performance issues with Echostar. However, if the ultimate resolution of this matter causes the reserve amount to be exceeded, it could have a material adverse effect on the Company's financial position and results of operations.

NOTE 12 - LEGAL PROCEEDINGS

A lawsuit was filed against the Company on September 15, 2006 by CN Capital, the seller of the assets of Skybility which the Company acquired in April 2005. The lawsuit contends that the Company owes CN Capital approximately \$1.6 million under the earn-out provision of the Skybility Asset Purchase Agreement dated April 18, 2005. On February 26, 2007, the Company filed a cross-complaint against CN Capital for breach of contract, negligent interference with prospective economic advantage, and contract rescission. The Company believes the lawsuit filed by CN Capital is without merit and intends to vigorously defend against this action. No loss accrual has been made in the accompanying financial statements for this matter.

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

In May 2001, the Securities and Exchange Commission ("SEC") commenced an investigation into the circumstances surrounding the misstatements in the Company's consolidated financial statements for its 2000 and 2001 fiscal years caused by its former controller. In April 2004, the SEC concluded its investigation and issued a cease and desist order directing the Company to not violate federal securities laws in the future.

NOTE 13 - SEGMENT AND GEOGRAPHIC DATA

Information by business segment is as follows:

	Year Ended February 28, 2007				Year Ended February 28, 2006			
	Operating Segments				Operating Segments			
	Products Division	Solutions Division	Corporate	Total	Products Division	Solutions Division	Corporate	Total
Revenues:								
Products	\$211,474	\$ 2,972		\$214,446	\$196,908	\$ 4,363		\$201,271
Services	1,730	6,163		7,893	-	16,222		16,222

Edgar Filing: CalAmp Corp. - Form 10-K

Total	\$213,204	\$ 9,135		\$222,339	\$196,908	\$20,585		\$217,493
	=====	=====		=====	=====	=====		=====
Gross profit:								
Products	\$ 45,207	\$ 2,627		\$ 47,834	\$ 45,589	\$ 3,349		\$ 48,938
Services	330	1,237		1,567	-	3,808		3,808
	-----	-----		-----	-----	-----		-----
Total	\$ 45,537	\$ 3,864		\$ 49,401	\$ 45,589	\$ 7,157		\$ 52,746
	=====	=====		=====	=====	=====		=====
Gross margin:								
Products	21.4%	88.4%		22.3%	23.2%	76.8%		24.3%
Services	19.1%	20.1%		19.9%	-	23.5%		23.5%
Total	21.4%	42.3%		22.2%	23.2%	34.8%		24.3%
Operating income (loss)	\$ 9,800	\$(32,928)	\$(5,853)	\$(28,981)	\$ 31,361	\$(3,190)	\$(4,278)	\$ 23,893
	=====	=====	=====	=====	=====	=====	=====	=====
Identifiable assets	\$219,095	\$10,608	\$ -	\$229,703	\$162,128	\$42,218	\$ -	\$204,346
	=====	=====	=====	=====	=====	=====	=====	=====

Year Ended
February 28, 2005

Operating Segments				

	Products	Solutions	Corporate	Total
	Division	Division		
	-----	-----	-----	-----
Revenues:				
Products	\$194,835	\$ 5,263		\$200,098
Services	-	19,929		19,929
	-----	-----		-----
Total	\$194,835	\$25,192		\$220,027
	=====	=====		=====
Gross profit:				
Products	\$ 35,765	\$ 1,179		\$ 36,944
Services	-	4,434		4,434
	-----	-----		-----
Total	\$ 35,765	\$ 5,613		\$ 41,378
	=====	=====		=====
Gross margin:				
Products	18.4%	22.4%		18.5%
Services	-	22.2%		22.2%
Total	18.4%	22.3%		18.8%
Operating income (loss)	\$ 25,316	\$(8,051)	\$(4,217)	\$ 13,048
	=====	=====	=====	=====
Identifiable assets	\$150,996	\$45,759	\$ -	\$196,755
	=====	=====	=====	=====

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

Edgar Filing: CalAmp Corp. - Form 10-K

stock listing fees, director and officer liability insurance, and board of director fees and expenses.

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

The Company's revenues were derived mainly from customers in the United States, which represented 94%, 95% and 97% of consolidated revenues in fiscal 2007, 2006 and 2005, respectively.

NOTE 14 - QUARTERLY FINANCIAL INFORMATION (unaudited)

The following summarizes certain quarterly statement of operations data for each of the quarters in fiscal years 2007 and 2006 (in thousands, except percentages and per share data):

	Fiscal 2007				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
	-----	-----	-----	-----	-----
Revenues	\$46,313	\$57,934	\$61,092	\$57,000	\$222,339
Gross profit	10,927	14,011	12,702	11,761	49,401
Gross margin	23.6%	24.2%	20.8%	20.6%	22.2%
Net income (loss)	(34,051)	1,235	896	732	(31,188)
Net income (loss) per diluted share	(1.47)	0.05	0.04	0.03	(1.34)

	Fiscal 2006				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
	-----	-----	-----	-----	-----
Revenues	\$47,580	\$57,661	\$64,463	\$47,789	\$217,493
Gross profit	10,698	13,415	16,464	12,169	52,746
Gross margin	22.5%	23.3%	25.5%	25.5%	24.3%
Net income	1,977	3,681	5,439	3,465	14,562
Net income per diluted share	0.09	0.16	0.23	0.15	0.62

The net loss in the fiscal 2007 first quarter is the result of the Solutions Division impairment loss of \$29,848,000 and the IPR&D write-off of \$6,850,000 associated with the acquisition of Dataradio.

Note 15 - RELATED PARTY TRANSACTIONS

Dataradio leases its facility in Montreal from a lessor that is controlled by Dataradio's former President, who is now an employee of the Company. The Company believes that the terms of this facility lease are commercially reasonable and comparable to market terms.

NOTE 16 - SUBSEQUENT EVENTS

In March 2007, the Company split the Products Division into two separate operating units: the Satellite Division and the Wireless DataCom Division. The Satellite Division consists of the Company's DBS business, and the Wireless DataCom Division consists of the remaining businesses of the Products Division, including Dataradio, MRM, M2M and CalAmp's legacy wireless businesses other than DBS. The Company plans to use these two new divisions, and the existing Solutions Division, as its reporting segments commencing

Edgar Filing: CalAmp Corp. - Form 10-K

with the fiscal 2008 first quarter ending May 31, 2007.

On March 16, 2007, the Company acquired Aircept, a vehicle tracking business, from AirIQ Inc., a Canadian company ("AirIQ"), for cash consideration of \$19 million. The source of funds for the purchase price was the Company's cash on hand. Aircept's business involves the sale of Global Positioning Satellite (GPS) and cellular-based wireless asset tracking products and services to vehicle lenders that specialize in automobile financing for high credit risk individuals. Aircept, which has approximately 35 employees, will become part of the Company's new Wireless DataCom Division. Aircept had revenues of approximately \$15 million and a gross profit margin of approximately 35% during calendar 2006.

On April 4, 2007, the Company acquired the business and substantially all the assets of SmartLink Radio Networks, a privately-held company, for \$8.1 million cash. The source of funds for the purchase price was the Company's cash on hand. Smartlink provides proprietary interoperable radio communications platforms and integration services for public safety and critical infrastructure needs. Based on a software defined switch, SmartLink's platform provides interoperability without the need to replace the installed base of land mobile radios. SmartLink generated unaudited revenues of approximately \$2.9 million during the trailing 12 month period ended March 31, 2007. SmartLink is currently in the process of deploying its platform for several important customers including Solano County, Calif., the U.S. Department of Justice in San Francisco and Grand Bahama Power Company. Depending on the size and scope of a deployment, a SmartLink system sale generates revenues in the range of one hundred thousand dollars to several million dollars. CalAmp expects significant revenue growth for the Smartlink business during the next 12 months based on the current backlog of approximately \$3.5 million and additional expected near-term deployments. CalAmp will transition SmartLink's operations in Connecticut to its Dataradio facilities in Montreal, Canada and Atlanta, Georgia over the next several months. Smartlink will become part of the Company's new Wireless DataCom Division.

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

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company's principal executive officer and principal financial officer have concluded, based on their evaluation of disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934) as of February 28, 2007, that the Company's disclosure controls and procedures are effective to ensure that the information required to be disclosed in reports that are filed or submitted under the Exchange Act is accumulated and communicated to management, including the principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure and that such information is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities Exchange Commission.

Management's Report on Internal Control over Financial Reporting

The report of management of the Company regarding internal control over financial reporting is set forth in Item 8 of this Annual Report on Form 10-K

Edgar Filing: CalAmp Corp. - Form 10-K

under the caption "Management's Report on Internal Control over Financial Reporting" and incorporated herein by reference.

Attestation Report of Independent Registered Public Accounting Firm

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

Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting during the fourth quarter of fiscal 2007 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

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

The following information will be included in the Company's definitive proxy statement for the Annual Meeting of Stockholders to be held on August 1, 2007 and is incorporated herein by reference in response to this item:

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

ITEM 11. EXECUTIVE COMPENSATION

The information under the caption "Executive Compensation" in the Company's definitive proxy statement for the Annual Meeting of Stockholders to be held on August 1, 2007 is incorporated herein by reference in response to this item.

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

The information under the caption "Stock Ownership" in the Company's definitive proxy statement for the Annual Meeting of Stockholders to be held on August 1, 2007 is incorporated herein by reference in response to this item.

Securities Authorized for Issuance under Equity Compensation Plans

At February 28, 2007, the Company had four stock option plans, the "1989 Plan", the "1999 Plan", the "2000 Plan" and the "2004 Plan". Options to purchase the Company's common stock have been granted to both employees

Edgar Filing: CalAmp Corp. - Form 10-K

and non-employee directors. Options can no longer be granted under the 1989, 1999 and 2000 Plans. The 1989, 1999 and 2004 Plans were approved by the Company's stockholders. The 2000 Plan and outstanding employee stock options thereunder were assumed by the Company in connection with the acquisition of Vytex on April 12, 2004.

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

Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column)
-----	-----	-----
2,461,000	\$10.33	1,694,000
=====	=====	=====

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

The information contained under the captions "Certain Relationships and Related Transactions" and "Director Independence" in the Company's definitive proxy statement for the Annual Meeting of Stockholders to be held on August 1, 2007 is incorporated herein by reference in response to this item.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information contained under the caption "Independent Public Accountants" in the Company's definitive proxy statement for the Annual Meeting of Stockholders to be held on August 1, 2007 is incorporated herein by reference in response to this item.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

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

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

	Form 10-K Page No. -----
Management's Report on Internal Control Over Financial Reporting	36
Reports of Independent Registered Public Accounting Firm	37-39
Consolidated Balance Sheets	40

Edgar Filing: CalAmp Corp. - Form 10-K

Consolidated Statements of Operations	41
Consolidated Statements of Stockholders' Equity and Comprehensive Income (Loss)	42
Consolidated Statements of Cash Flows	43
Notes to Consolidated Financial Statements	44

2. Financial Statements Schedules:

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

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

3. Exhibits

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

Exhibit Number	Description
2.1	Agreement and Plan of Merger and Reorganization dated December 23, 2003 between the Company and Vytex Corporation (incorporated by reference to Exhibit 2.1 of the Company's Registration Statement No. 333-112851 on Form S-4).
3.1	Amended and Restated Certificate of Incorporation reflecting the change in the Company's name to CalAmp Corp. and the increase in authorized common stock from 30 million to 40 million shares (incorporated by reference to Exhibit 3.1 of the Company's Report on Form 10-Q for the period ended August 31, 2004).
3.2	Bylaws of the Company (incorporated by reference to Exhibit 3.2 of the Company's Annual Report on Form 10-K for the year ended February 28, 2005).
4.1	Amended and Restated Rights Agreement, amended and restated as of September 5, 2001, by and between Registrant and Mellon Investor Services LLC, as Rights Agent (filed herewith).
4.2	Registration Rights agreement dated February 11, 2004, as Exhibit H to the Agreement and Plan of Merger and Reorganization dated December 23, 2003 among the Registrant, Mobile Acquisition Sub, Inc., Vytex Corporation, and James E. Ousley, as Stockholder Representative (incorporated by reference to Exhibit 2.1 of the Registrant's Registration Statement on Form S-4 filed on February 13, 2004).
10.	Material Contracts:

Edgar Filing: CalAmp Corp. - Form 10-K

- (i) Other than Compensatory Plan or Arrangements:
 - 10.1 Building lease dated June 10, 2003 between the Company and Sunbelt Enterprises for a facility in Oxnard, California (incorporated by reference to Exhibit 10-1 filed with the Company's Report on Form 10-Q for the quarter ended May 31, 2003).
 - 10.2 Credit Agreement dated as of May 26, 2006 between and among the Company, certain subsidiaries of the Company and Bank of Montreal as administrative agent (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed on June 2, 2006).
 - 10.3 Form of Directors and Officers Indemnity Agreement (incorporated by reference to Exhibit 10.3 of the Company's Annual Report on Form 10-K for the year ended February 28, 2005).
- (ii) Compensatory Plans or Arrangements required to be filed as Exhibits to this Report pursuant to Item 15 (b) of this Report:
 - 10.4 1989 Key Employee Stock Option Plan (incorporated by reference to Exhibit 4.4 of the Company's Registration Statement No. 33-31427 on Form S-8).
 - 10.4.1 Amendment No. 1 to the 1989 Key Employee Stock Option Plan (incorporated by reference to Exhibit 4.7 of the Company's Registration Statement No. 33-36944 on Form S-8).
 - 10.4.2 Amendment No. 2 to the 1989 Key Employee Stock Option Plan (incorporated by reference to Exhibit 4.8 of the Company's Registration Statement No. 33-72704 on Form S-8).
 - 10.4.3 Amendment No. 3 to the 1989 Key Employee Stock Option Plan (incorporated by reference to Exhibit 4.10 of the Company's Registration Statement No. 33-60879 on Form S-8).
 - 10.5 The 1999 Stock Option Plan (incorporated by reference to Exhibit 4.1 of the Company's Registration Statement No. 333-93097 on Form S-8).
 - 10.6 CalAmp Corp. 2004 Stock Incentive Plan as amended and Restated (filed herewith).
 - 10.7 Vytek Wireless, Inc. 2000 Stock Option Plan, as amended (incorporated by reference to Exhibit 10.14 of the Company's Registration Statement on Form S-4 as filed February 13, 2004).
 - 10.8 Employment Agreement between the Company and Patrick Hutchins dated May 31, 2002 (incorporated by reference to Exhibit 10.6 filed with Company's Annual Report on Form 10-K for the year ended February 28, 2004).
 - 10.9 Employment Agreement between the Company and Fred Sturm dated May 31, 2002 (incorporated by reference to Exhibit 10.7 filed with Company's Annual Report on Form 10-K for the year ended February 28, 2004).

Edgar Filing: CalAmp Corp. - Form 10-K

- 10.10 Employment Agreement between the Company and Richard Vitelle dated May 31, 2002 (incorporated by reference to Exhibit 10.9 filed with Company's Annual Report on Form 10-K for the year ended February 28, 2004).
- 21 Subsidiaries of the Registrant.
- 23 Consent of Independent Registered Public Accounting Firm.
- 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32 Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Each management contract or compensatory plan or arrangement required to be filed as an exhibit to this form is filed as part of Item 15(a)(3) Exhibits and specifically identified as such.

(c) Other Financial Statement Schedules. None

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on May 17, 2007.

CALAMP CORP.

By: /s/ Fred M. Sturm

Fred M. Sturm
Chief Executive Officer

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

Signature	Title	Date
/s/ Richard Gold _____ Richard Gold	Chairman of the Board of Directors	May 17, 2007 _____
/s/ Arthur Hausman _____ Arthur Hausman	Director	May 17, 2007 _____
/s/ A.J. Moyer _____ A.J. Moyer	Director	May 17, 2007 _____

Edgar Filing: CalAmp Corp. - Form 10-K

<u>/s/ Thomas Pardun</u> Thomas Pardun	Director	<u>May 17, 2007</u>
<u>/s/ Frank Perna, Jr.</u> Frank Perna, Jr.	Director	<u>May 17, 2007</u>
<u>/s/ Fred M. Sturm</u> Fred M. Sturm	President, Chief Executive Officer and Director (principal executive officer)	<u>May 17, 2007</u>
<u>/s/ Richard Vitelle</u> Richard Vitelle	VP Finance, Chief Financial Officer and Treasurer (principal accounting officer)	<u>May 17, 2007</u>