EMAGIN CORP
Form 10-Q
May 10, 2018

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)
QUARTERLY REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2018
or

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

For the transition period from to

Commission file number 001-15751

eMAGIN CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	56-1764501
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2070 Route 52, Hopewell Junction, NY 12533

(Address of principal executive offices)

(845) 838-7900

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

The number of shares of common stock outstanding as of April 30, 2018 was 45,111,273.

eMagin Corporation

Form 10-Q

For the Quarter ended March 31, 2018

Table of Contents

STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This Quarterly Report on Form 10-Q, or Report, contains forward-looking statements that are based on our management's belief and assumptions and on information currently available to our management. Although we believe that the expectations reflected in these forward-looking statements are reasonable, these statements relate to future events or our future financial performance, and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements.

In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "expects," "intends," "plans," "anticipates," "believes," "estimates," "predicts," "potential," "continue" or the negative of these other comparable terminology. These statements are only predictions. You should not place undue reliance on forward-looking statements because they involve known and unknown risks, uncertainties and other factors, which are, in some cases, beyond our control and which could materially affect our results. Factors that may cause actual results to differ materially from current expectations include, among other things, those listed in the section entitled "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017. If one or more of these risks or uncertainties occur, or if our underlying assumptions prove to be incorrect, actual events or results may vary significantly from those implied or projected by the forward-looking statements. No forward-looking statement is a guarantee of future performance. You should read this Report and the documents that we reference in this Report and have filed with the Securities and Exchange Commission, or the SEC, as exhibits to this Report, completely and with the understanding that our actual future results may be materially different from any future results expressed or implied by these forward-looking statements.

In particular, forward-looking statements in this Report include statements about:

- Our ability to successfully develop and market our products to customers;
- Our ability to generate customer demand for our products in our target markets:
- The development of our target markets and market opportunities, including the consumer market;
- Our potential exposure to product liability claims;
- Our ability to manufacturer our products at a competitive cost;
- Our ability to successfully implement new equipment on our manufacturing line;
- Market pricing for our products and for competing products;
- Increasing competition;
- Provisions in certain of our commercial agreements and our military business that may prevent or delay an acquisition of, partnership with, or investment in, our Company and our ability to develop OEM and mass production partnerships;
- Technological developments in our target markets and the development of alternate, competing technologies in them;
- Our anticipated cash needs and our estimates regarding our capital requirements;
- Our needs for additional financing, as well as our ability to obtain such additional financing on reasonable terms and the interest rate and expense we incur on any debt financing.

The forward-looking statements in this Report represent our views as of the date of this Report. We anticipate that subsequent events and developments may cause our views to change. However, while we may elect to update these forward-looking statements at some point in the future, we have no current intention of doing so except to the extent required by applicable law. Therefore, these forward-looking statements do not represent our views as of any date other than the date of this Report.

In this Report, references to “eMagin Corporation,” “eMagin,” “the Company,” “we,” “us,” and “our company” refer to eMagin Corporation and our wholly owned subsidiary, Virtual Vision, Inc.

ITEM 1. Condensed Consolidated Financial Statements

eMAGIN CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)

	March 31, 2018 (unaudited)	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	$ 9,802	$ 3,526
Accounts receivable, net	4,138	4,528
Unbilled accounts receivable	526	406
Inventories	8,947	8,640
Prepaid expenses and other current assets	1,115	1,328
Total current assets	24,528	18,428
Equipment, furniture and leasehold improvements, net	8,150	8,553
Intangibles and other assets	363	326
Total assets	$ 33,041	$ 27,307
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 1,696	$ 1,714
Accrued compensation	1,472	1,557
Revolving credit facility, net	—	3,808
Common stock warrant liability	3,187	784
Other accrued expenses	1,134	719
Deferred revenue	188	765
Other current liabilities	365	469
Total current liabilities	8,042	9,816
Commitments and contingencies (Note 9)		
Shareholders' equity:		
Preferred stock, $.001 par value: authorized 10,000,000 shares:		
Series B Convertible Preferred stock, (liquidation preference of $5,659) stated value $1,000 per share, $.001 par value: 10,000 shares designated and 5,659 issued and outstanding as of March 31, 2018 and December 31, 2017	—	—
Common stock, $.001 par value: authorized 200,000,000 shares, issued 45,273,339 shares, outstanding 45,111,273 shares as of March 31, 2018 and issued 35,182,589	45	35

shares, outstanding 35,020,523 shares as of December 31, 2017		
Additional paid-in capital	254,304	244,726
Accumulated deficit	(228,850)	(226,770)
Treasury stock, 162,066 shares as of March 31, 2018 and December 31, 2017	(500)	(500)
Total shareholders' equity	24,999	17,491
Total liabilities and shareholders' equity	$ 33,041	$ 27,307

See notes to Condensed Consolidated Financial Statements.

4

eMAGIN CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except share and per share data)

(unaudited)

	Three Months Ended March 31,	
	2018	2017
Revenues:		
Product	$ 5,863	$ 4,381
Contract	1,004	1,688
Total revenues, net	6,867	6,069
Cost of revenues:		
Product	4,359	3,458
Contract	528	793
Total cost of revenues	4,887	4,251
Gross profit	1,980	1,818
Operating expenses:		
Research and development	1,631	1,334
Selling, general and administrative	2,912	2,463
Total operating expenses	4,543	3,797
Loss from operations	(2,563)	(1,979)
Other income (expense):		
Change in fair value of common stock warrant liability	503	—
Interest expense, net	(42)	(35)
Other income, net	21	15
Total other income	482	(20)
Loss before provision for income taxes	(2,081)	(1,999)
(Provision) benefit for income taxes	—	—
Net loss	$ (2,081)	$ (1,999)
Loss per share, basic	$ (0.05)	$ (0.06)
Loss per share, diluted	$ (0.05)	$ (0.06)

Weighted average number of shares outstanding:

Basic	42,255,189	31,628,997
Diluted	42,255,189	31,628,997

See notes to Condensed Consolidated Financial Statements.

eMAGIN CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Three Months Ended March 31, 2018	2017
Cash flows from operating activities:		
Net loss	18,666	14,968
Deferred income tax assets	11,367	7,619
Prepaid expenses and other current assets	5,110	5,017
Total current assets	127,421	92,241
Long-term marketable securities	-	518
Property, equipment and improvements, net of accumulated depreciation and amortization	10,525	5,899
Deferred income tax assets, less current portion	23,455	35,131
Goodwill	15,483	15,422
Other intangible assets, net	22,596	29,131
Other assets	3,137	923
	$ 202,617	$ 179,265
Liabilities and Stockholders' Equity		
Current liabilities:		
Current portion of long-term debt	$ 688	$ 1,156
Accounts payable	24,012	20,508
Accrued payroll and employee benefits	5,522	6,594
Deferred revenue	10,748	8,251
Other current liabilities	6,035	5,609
Total current liabilities	47,005	42,118
Long-term debt	-	702
Other non-current liabilities	4,227	3,298
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $.01 par value; 3,000 shares authorized; no shares issued or outstanding	-	-
Common stock, $.01 par value; 80,000 shares authorized; 36,225 and 35,859 shares issued and outstanding at February 28, 2015 and 2014, respectively	362	359
Additional paid-in capital	207,881	206,154
Accumulated deficit	(56,793)	(73,301)
Accumulated other comprehensive loss	(65)	(65)
Total stockholders' equity	151,385	133,147
	$ 202,617	$ 179,265

See accompanying notes to consolidated financial statements.

28

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

	Year Ended February 28, 2015	2014	2013
Revenues :			
Products	$ 209,895	$ 195,549	$ 163,022
Application subscriptions and other services	40,711	40,354	17,557
Total revenues	250,606	235,903	180,579
Cost of revenues:			
Products	144,911	139,205	113,780
Application subscriptions and other services	18,291	16,767	9,906
Total cost of revenues	163,202	155,972	123,686
Gross profit	87,404	79,931	56,893
Operating expenses:			
Research and development	19,854	21,052	14,291
Selling	20,442	19,837	12,725
General and administrative	15,578	14,416	12,154
Intangible asset amortization	6,590	6,283	1,743
Total operating expenses	62,464	61,588	40,913
Operating income	24,940	18,343	15,980
Non-operating expense:			
Interest expense, net	(72)	(365)	(487)
Other expense	(68)	(67)	(45)
Total non-operating expense	(140)	(432)	(532)
Income before income taxes	24,800	17,911	15,448
Income tax benefit (provision)	(8,292)	(6,108)	29,178
Net income	$ 16,508	$ 11,803	$ 44,626
Earnings per share:			
Basic	$ 0.46	$ 0.34	$ 1.54
Diluted	$ 0.45	$ 0.33	$ 1.49
Shares used in computing earnings per share:			
Basic	35,784	34,969	28,886
Diluted	36,530	36,023	29,982

See accompanying notes to consolidated financial statements.

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

	Common Stock		Additional Paid-in	Accumulated	Accumulated Other Comprehensive	Total Stockholders'
	Shares	Amount	Capital	Deficit	Loss	Equity
Balances at February 28, 2012	28,722	$ 287	$ 154,485	$ (129,730)	$ (65)	$ 24,977
Net income				44,626		44,626
Stock-based compensation expense			2,910			2,910
Sale of common stock	5,175	52	44,732			44,784
Issuance of shares for restricted stock awards	160	2	(2)			-
Shares issued on net share settlement of equity awards and warrants	198	2	(2,562)			(2,560)
Exercise of stock options and warrants	786	7	2,805			2,812
Balances at February 28, 2013	35,041	350	202,368	(85,104)	(65)	117,549
Net income				11,803		11,803
Stock-based compensation expense			2,924			2,924
Issuance of shares for restricted stock awards	90	1	(1)			-
Shares issued on net share settlement of equity awards	180	2	(3,059)			(3,057)
Exercise of stock options	548	6	3,922			3,928
Balances at February 28, 2014	35,859	359	206,154	(73,301)	(65)	133,147
Net income				16,508		16,508
Stock-based compensation expense			4,100			4,100
Issuance of shares for restricted stock awards	106	1	(1)			-
Shares issued on net share settlement of equity awards	117	1	(3,089)			(3,088)
Exercise of stock options	143	1	717			718
Balances at February 28, 2015	36,225	$ 362	$ 207,881	$ (56,793)	$ (65)	$ 151,385

See accompanying notes to consolidated financial statements.

30

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

	Year Ended February 28,		
	2015	**2014**	**2013**
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 16,508	$ 11,803	$ 44,626
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	9,386	8,105	2,764
Stock-based compensation expense	4,100	2,924	2,910
Deferred tax assets, net	7,927	5,935	(29,231)
Other	247	339	411
Changes in operating assets and liabilities:			
Accounts receivable	(11,058)	(11,401)	(4,728)
Inventories	(3,704)	(1,301)	(3,459)
Prepaid expenses and other assets	(2,076)	(594)	(887)
Accounts payable	3,504	7,522	2,348
Accrued liabilities	1,314	(1,449)	1,738
Deferred revenue	2,497	933	105
NET CASH PROVIDED BY OPERATING ACTIVITIES	28,645	22,816	16,597
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of marketable securities	(16,304)	(9,018)	-
Proceeds from maturities of marketable securities	15,145	-	-
Capital expenditures	(7,437)	(2,133)	(1,852)
Acquisitions net of cash acquired	-	(52,954)	(1,000)
Collections on note receivable	-	-	462
Other	(55)	(71)	(8)
NET CASH USED IN INVESTING ACTIVITIES	(8,651)	(64,176)	(2,398)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net proceeds from public sale of common stock	-	-	44,784
Net repayments of bank term loan	-	(1,800)	(1,200)
Payment of acquisition-related note and contingent consideration	(2,673)	(1,579)	(535)
Taxes paid related to net share settlement of equity awards	(3,088)	(3,057)	(2,560)
Proceeds from exercise of stock options and warrants	718	3,928	2,812
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(5,043)	(2,508)	43,301
Net change in cash and cash equivalents	14,951	(43,868)	57,500
Cash and cash equivalents at beginning of year	19,233	63,101	5,601
Cash and cash equivalents at end of year	$ 34,184	$ 19,233	$ 63,101

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 leading provider of wireless communications solutions for a broad array of applications to customers globally. The Company s business activities are organized into its Wireless DataCom and Satellite business segments.

Principles of Consolidation

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

Use of Estimates

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

Fiscal Year

Effective at the end of fiscal 2015, the Company changed its fiscal year-end from a 52-53 week fiscal year ending on the Saturday that falls the closest to February 28 to a fiscal year ending on the last day of February. Under the 52-53 week method, fiscal years 2014 and 2013 ended on March 1, 2014 and March 2, 2013, respectively. This change had no effect on fiscal 2015 because the last day of the year is February 28, 2015 under both the old and the new method. The consolidated financial statements for fiscal 2015 include operations from March 2, 2014 through February 28, 2015, a period of 52 weeks. Fiscal 2014 also consisted of 52 weeks, while fiscal year 2013 consisted of 53 weeks. In these consolidated financial statements, the fiscal year end for all years is shown as February 28 for clarity of presentation.

Revenue Recognition

The Company recognizes revenue from product sales when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable and collection of the sales price is reasonably assured. Generally, these criteria are met at the time product is shipped, except for shipments made on the basis of FOB Destination terms, in which case title transfers to the customer and the revenue is recorded by the Company when the shipment reaches the customer. Customers generally do not have rights of return except for defective products returned during the warranty period. In the limited number of instances where customers have a right of return period, revenue is not recognized until the expiration of such period. The Company records estimated commitments related to customer incentive programs as reductions of revenues.

The Company provides Software as a Service (SaaS) subscriptions for its fleet management and vehicle finance applications in which customers are provided with the ability to wirelessly communicate with monitoring devices installed in vehicles and other mobile assets via software applications hosted by the Company. The Company defers the recognition of revenue for the monitoring device products that are sold with application subscriptions because the application services are essential to the functionality of the products, and accordingly, the associated product costs are recorded as deferred costs in the balance sheet. The deferred product revenue and deferred product cost amounts are amortized to application subscriptions revenue and cost of revenue on a straight-line basis over the minimum contractual service periods of one year to three years. Revenues from renewals of data communication services after the initial one year term are recognized as application subscriptions revenue when the services are provided. When customers prepay application subscription renewals, such amounts are recorded as deferred revenues and are recognized over the renewal term.

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

Cash and cash equivalents are maintained with several financial institutions. Deposits held with banks may exceed the amount of insurance provided on such deposits. Generally, these deposits may be redeemed upon demand and are maintained with financial institutions of reputable credit, and are therefore considered by management to bear minimal credit risk.

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash equivalents, marketable securities and trade receivables.

Because the Company sells into markets dominated by a few large service providers, a significant portion of consolidated revenues and consolidated accounts receivable relate to one customer of the Company's Satellite segment. This customer accounted for 14.9%, 20.7% and 22.1% of consolidated revenues in fiscal 2015, 2014 and 2013, respectively, and 12.1% and 14.6% of consolidated net accounts receivable at February 28, 2015 and 2014, respectively. One customer of the Company s Wireless DataCom segment accounted for 14.7% of consolidated net accounts receivable at February 28, 2015.

A substantial portion of the Company s inventory is purchased from one supplier that functions as an independent foreign procurement agent and contract manufacturer. This supplier accounted for 59% and 65% of the Company's total inventory purchases in fiscal 2015 and 2014, respectively. As of February 28, 2015, this supplier accounted for 65% of the Company's total accounts payable.

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

Allowance for Doubtful Accounts

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

Property, equipment and improvements

Property, equipment and improvements are stated at the lower of cost or fair value determined through periodic impairment analyses. The Company follows the policy of capitalizing expenditures that increase asset lives, and expensing ordinary maintenance and repairs as incurred.

Depreciation and amortization are based upon the estimated useful lives of the related assets, with such amounts computed 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.

The Company capitalizes certain costs incurred in connection with developing or obtaining internal-use software and software that are embedded in a product and sold as part of the product as a whole. These costs are included in Property, Equipment and Improvements in the consolidated balance sheets and are amortized over useful lives ranging from three to seven years.

Operating Leases

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

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

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. Goodwill is not amortized. Instead, goodwill is tested for impairment on an annual basis and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. The Company performs its goodwill impairment test in the fourth quarter of each year. The Company did not recognize any impairment charges related to goodwill during fiscal years 2015, 2014 and 2013.

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

Accounting for Long-Lived Assets

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

Fair Value Measurements

The Company applies fair value accounting for all financial assets and liabilities and non-financial assets and liabilities that are recognized or disclosed at fair value in the financial statements. The Company defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly manner in an arms-length transaction between market participants at the measurement date. Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Inputs that are generally unobservable and typically reflect management s estimate of assumptions that market participants would use in pricing the asset or liability.

In accordance with the fair value accounting requirements, companies may choose to measure eligible financial instruments and certain other items at fair value. The Company has elected the fair value option for its investment in marketable securities on contract-by-contract basis at the time each contract is initially recognized in the financial statements or upon an event that gives rise to a new basis of accounting for the items.

Warranty

The Company generally warrants its products against defects over periods ranging from 12 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 fiscal quarter, the Company adjusts its liability for warranty claims based on its actual warranty claims experience as a percentage of revenues for the preceding one to two years and also considers the impact of the known operational issues that may have a greater impact than historical trends. The warranty reserve is included in Other Current Liabilities in the consolidated balance sheets. See Note 12 for a table of annual increases in and reductions of the warranty reserve for the last three years.

34

Deferred Income Taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and for income tax purposes. The Company evaluates the realizability of its deferred income tax assets and a valuation allowance is provided, as necessary. In assessing this valuation allowance, the Company reviews historical and future expected operating results and other factors, including its recent cumulative earnings experience, expectations of future taxable income by taxing jurisdiction and the carryforward periods available for tax reporting purposes, to determine whether it is more likely than not that deferred tax assets are realizable. Pursuant to the evaluation conducted for fiscal 2013, the Company eliminated substantially all of the valuation allowance for deferred income tax assets at the end of fiscal 2013, resulting in an income tax benefit of $29.2 million for that year.

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

The Company's Canadian subsidiary changed its functional currency from the Canadian dollar to the U.S. dollar effective at the end of fiscal 2010. The cumulative foreign currency translation loss of $65,000 that is included in accumulated other comprehensive loss will remain there for such time that the Canadian subsidiary continues to be part of the Company's consolidated financial statements.

The Company's New Zealand branch uses the U.S. dollar as its functional currency.

The aggregate foreign transaction exchange rate losses included in determining income before income taxes were $53,000, $62,000 and $43,000 in fiscal 2015, 2014 and 2013, respectively.

Stock-Based Compensation

The Company measures stock-based compensation expense at the grant date, based on the fair value of the equity award, and recognizes the expense over the employee's requisite service (vesting) period using the straight-line method. The measurement of stock-based compensation expense is based on several criteria including, but not limited to, the type of equity award, the valuation model used and associated input factors, such as expected term of the award, stock price volatility, risk free interest rate and forfeiture rate. Certain of these inputs are subjective to some degree and are determined based in part on management's judgment. The Company recognizes the compensation expense on a straight-line basis for its graded-vesting awards. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. However, the cumulative compensation expense recognized in any period must at least equal the portion of the grant-date fair value associated with equity awards that are vested as of such period-end date. As used in this context, the term forfeitures is distinct from cancellations or expirations , and refers only to the unvested portion of the surrendered equity awards.

Business Combinations

The Company applies the provisions of ASC 805, Business Combinations, in the accounting for its acquisitions, which requires recognition of the assets acquired and the liabilities assumed at their acquisition date fair values, separately from goodwill. Goodwill as of the acquisition date is measured as the excess of consideration transferred and the net of the acquisition date fair values of the tangible and identifiable intangible assets acquired and liabilities assumed. While the Company uses its best estimates and assumptions to accurately value assets acquired and liabilities assumed at the acquisition date as well as contingent consideration, where applicable, its estimates are inherently uncertain and subject to refinement. As a result, during the measurement period that exists up to 12 months from the acquisition date, the Company records adjustments to the tangible and specifically identifiable intangible assets acquired and liabilities assumed with a corresponding adjustment to goodwill. Upon the conclusion of the measurement period or final determination of the values of assets acquired and liabilities assumed, whichever comes first, the impact of any subsequent adjustments is included in the consolidated statements of operations.

Costs to exit or restructure certain activities of an acquired company or the Company s internal operations are accounted for as a one-time termination and exit cost pursuant to ASC 420, Exit or Disposal Cost Obligations , and are accounted for separately from the business combination. A liability for costs associated with an exit or disposal activity is recognized and measured at its fair value in the Company s consolidated statement of operations in the period in which the liability is incurred.

Uncertain income tax positions and tax-related valuation allowances that are acquired in connection with a business combination are initially estimated as of the acquisition date. The Company reevaluates these items quarterly based upon facts and circumstances that existed as of the acquisition date, with any adjustments to the preliminary estimates being recorded to goodwill provided that such adjustments occur within the 12 month measurement period. Subsequent to the end of the measurement period or the Company s final determination of the value of the tax allowance or contingency, whichever comes first, changes to these uncertain tax positions and tax-related valuation allowances will affect the provision for income taxes in the consolidated statement of operations, and could have a material impact on results of operations and financial position.

Reclassifications

Certain amounts in the financial statements of prior years have been reclassified to conform to the fiscal 2015 presentation, with no effect on net earnings.

NOTE 2 ACQUISITIONS

Radio Satellite Integrators acquisition

On December 18, 2013, the Company completed the acquisition of all outstanding capital stock of Radio Satellite Integrators, Inc. (RSI) for a cash payment at closing of $6.5 million and future earn-out payments based on post-acquisition sales and gross profit performance in the aggregate estimated fair value amount of $2.1 million that is payable quarterly over two years. RSI was a privately-held provider of fleet management solutions primarily to city and county government agencies for applications involving public works, waste management, transit and public safety.

Following is the purchase price allocation for RSI (in thousands):

Purchase price			$	8,563
Less cash acquired				(382)
Net purchase price				8,181
Fair value of net assets acquired:				
Current assets other than cash	$	941		
Customer lists		3,150		
Developed/core technology		1,970		
Other non-current assets		10		
Current liabilities		(1,675)		
Deferred tax liabilities, net		(1,768)		
Total fair value of net assets acquired				2,628
Goodwill			$	5,553

This goodwill is primarily attributable to the benefit of having an assembled workforce to address the Company s governmental markets and the value that the Company expected to derive from RSI s customer relationships beyond the current contractual terms of these service agreements. The goodwill arising from this acquisition is not deductible for income tax purposes.

Wireless Matrix acquisition

On March 4, 2013, the Company completed the acquisition of all outstanding capital stock of Wireless Matrix USA, Inc. (Wireless Matrix). Under the terms of the agreement, the Company acquired Wireless Matrix for a cash payment of $52.9 million. The assets acquired by the Company included cash of approximately $6.1 million. The Company funded the purchase price from the net proceeds of an equity offering in February 2013 of $44.8 million, the $3.2 million net proceeds from a bank term loan, and cash on hand.

Following is the purchase price allocation for Wireless Matrix (in thousands):

Purchase price		$ 52,986
Less cash acquired		(6,149)
Net cash paid		46,837
Fair value of net assets acquired:		
Current assets other than cash	$ 6,353	
Deferred tax assets, net	9,437	
Property and equipment	1,683	
Customer lists	14,440	
Developed/core technology	11,180	
Other non-current assets	144	
Current liabilities	(5,218)	
Total fair value of net assets acquired		38,019
Goodwill		$ 8,818

The Company paid a premium (i.e., goodwill) over the fair value of the net tangible and identified intangible assets acquired. A principal rationale for this acquisition is that the Company could leverage Wireless Matrix s mobile workforce management and asset tracking applications to build upon its current product offerings for its customers in the energy, government and transportation markets and expand its turnkey offerings to global enterprise customers in new vertical markets such as heavy equipment and insurance telematics, among others. The Company believes that this acquisition accelerated its development roadmap, thereby enabling it to offer higher margin turnkey solutions for new and existing customers, and further enhanced its relevance with mobile network operators and key channel partners in the global M2M marketplace. The goodwill arising from the Wireless Matrix acquisition is not deductible for income tax purposes.

Following is unaudited supplemental pro forma information for fiscal 2013 presented as if the acquisition had occurred on March 1, 2012 (in thousands):

Consolidated revenues	$ 208,219
Consolidated net income	$ 37,467

The pro forma financial information is not necessarily indicative of what the Company's actual results of operations would have been had Wireless Matrix been included in the Company's historical consolidated financial statements for the year ended February 28, 2013. In addition, the pro forma financial information does not attempt to project the future results of operations of the combined company.

The pro forma adjustments for the year ended February 28, 2013 consisted of adding Wireless Matrix's results of operations for the 12-month periods ended January 31, 2013 to the Company s reported financial results for such year. The pro forma net income above includes additional amortization expense of $4,751,000 related to the fair value of identifiable intangible assets arising from the purchase price allocation. In addition, the number of shares used in computing pro forma earnings per share includes 5,175,000 common stock shares issued in February 2013 to fund the acquisition of Wireless Matrix, as if such shares were outstanding during the entire year ended February 28, 2013.

Navman Supply Agreement and acquisition

On May 7, 2012, the Company entered into a five-year supply agreement (the Supply Agreement) to provide at least $25 million of fleet tracking products to Navman Wireless, a privately held company (Navman). In addition, the Company concurrently entered into a product line acquisition agreement with Navman (the Asset Purchase Agreement) and established a research and development center in Auckland, New Zealand with an initial staff of 14 employees who transferred from Navman s workforce.

The purchase price for the products and technologies acquired from Navman pursuant to the Asset Purchase Agreement was $4,902,000, comprised of $1,000,000 paid in cash at closing, a non-interest bearing note payable with a present value of $3,080,000 at the time of issuance, and the fair value of estimated contingent royalties consideration of $822,000 for sales by CalAmp during the first three years of certain products acquired from Navman under the Asset Purchase Agreement. The note payable has a face value of $4,000,000, and is payable in the form of a 15% rebate on certain products sold by the Company to Navman under the Supply Agreement.

Following is the purchase price allocation for the Navman Asset Purchase Agreement (in thousands):

Purchase price		$ 4,902
Fair value of net assets acquired:		
Property and equipment	$ 200	
Supply contract	2,220	
Developed/core technology	500	
Customer lists	710	
Covenants not to compete	170	
Assumed liabilities	(10)	
Total fair value of net assets acquired		3,790
Goodwill		$ 1,112

This goodwill is primarily attributable to the benefit of having an assembled workforce in New Zealand and the value that the Company expects to receive from the Supply Agreement beyond its five year term. The goodwill arising from this acquisition is deductible for income tax purposes.

NOTE 3 FINANCIAL INSTRUMENTS

Cash, Cash Equivalents and Marketable Securities

The following table summarizes the Company s cash and marketable securities as of February 28, 2015 using the hierarchy described in Note 1 under the heading Fair Value Measurements (in thousands):

	Adjusted Cost	Unrealized Gains (Losses)	Fair Value	Balance Sheet Classification of Fair Value: Cash and Cash Equivalents	Short-Term Marketable Securities
Cash	$ 11,384	$ -	$ 11,384	$ 11,384	$ -
Level 1:					
Commercial paper	400	-	400	400	-
Level 2:					
Repurchase agreements	22,400	-	22,400	22,400	-
Commercial paper	10,184	(7)	10,177	-	10,177
Total	$ 44,368	$ (7)	$ 44,361	$ 34,184	$ 10,177

NOTE 4 INVENTORIES

Inventories consist of the following (in thousands):

	February 28, 2015	February 28, 2014
Raw materials	$ 14,519	$ 12,410
Work in process	361	380
Finished goods	3,786	2,178
	$ 18,666	$ 14,968

NOTE 5 PROPERTY, EQUIPMENT AND IMPROVEMENTS

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

	February 28, 2015	February 28, 2014
Leasehold improvements	$ 1,833	$ 1,940
Plant equipment and tooling	13,355	12,893
Office equipment, computers and furniture	8,075	4,594
Software	7,439	4,288
	30,702	23,715
Less accumulated depreciation and amortization	(20,177)	(17,816)
	$ 10,525	$ 5,899

NOTE 6 GOODWILL AND OTHER INTANGIBLE ASSETS

Changes in goodwill are as follows (in thousands):

	Year Ended February 28, 2015	Year Ended February 28, 2014
Balance at beginning of year	$ 15,422	$ 1,112
Wireless Matrix acquisition	-	8,818
Radio Satellite Integrators acquisition	-	5,492
Purchase price allocation adjustments	61	-
Balance at end of year	$ 15,483	$ 15,422

All goodwill is associated with the Company s Wireless DataCom segment.

Other intangible assets are comprised as follows (in thousands):

		February 28, 2015			February 28, 2014		
	Amortization Period	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Supply contract	5 years	$ 2,220	$ 1,247	$ 973	$ 2,220	$ 803	$ 1,417
Developed/core technology	2-7 years	16,151	7,126	9,025	16,151	4,886	11,265
Tradename	7 years	2,130	1,217	913	2,130	913	1,217
Customer lists	5-7 years	19,438	7,949	11,489	19,438	4,394	15,044
Covenants not to compete	5 years	262	187	75	262	153	109
Patents	5 years	176	55	121	121	42	79
		$ 40,377	$ 17,781	$ 22,596	$ 40,322	$ 11,191	$ 29,131

Amortization expense of intangible assets was $6,590,000, $6,283,000 and $1,743,000 for the years ended February 28, 2015, 2014 and 2013, respectively. All intangible asset amortization expense is attributable to the Wireless DataCom segment. Estimated amortization expense in future fiscal years is as follows (in thousands):

Fiscal Year	
2016	$ 6,532
2017	6,532
2018	6,079
2019	2,733
2020	720
	$ 22,596

NOTE 7 FINANCING ARRANGEMENTS AND CONTRACTUAL CASH OBLIGATIONS

Bank Credit Facility

The Company has a credit facility with Square 1 Bank that provides for borrowings up to $15 million or 85% of eligible accounts receivable, whichever is less. The credit facility expires on March 1, 2017. Borrowings under this line of credit bear interest at the bank s prime rate. There were no borrowings outstanding under this credit facility at February 28, 2015 or February 28, 2014.

The bank credit facility contains financial covenants that require the Company to maintain a minimum level of earnings before interest, income taxes, depreciation, amortization and other noncash charges (EBITDA) and a minimum debt coverage ratio, both measured monthly on a rolling 12-month basis. At February 28, 2015, the Company was in compliance with its debt covenants under the credit facility. The credit facility also provides for a number of customary events of default, including a provision that a material adverse change constitutes an event of default that permits the lender, at its option, to accelerate the loan. Among other provisions, the credit facility requires a lock-box and cash collateral account whereby cash remittances from the Company's customers are directed to the cash collateral account and which amounts are applied to reduce, if applicable, the outstanding revolving loan principal. Borrowings, if any, under the bank credit facility are secured by substantially all of the assets of the Company and its domestic subsidiaries.

Long-Term Debt

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

	February 28, 2015	February 28, 2014
Note payable to Navman, net of unamortized discount	$ 688	$ 1,858
Less portion due within one year	(688)	(1,156)
Long-term debt	$ -	$ 702

The Navman Wireless (Navman) note is payable in the form of a 15% rebate on certain products sold by CalAmp to Navman under a five-year $25 million supply agreement (the Supply Agreement) that was entered into in May 2012 in conjunction with CalAmp s purchase of a product line from Navman. The unpaid balance of the Navman note would become immediately due and payable upon any termination of the Supply Agreement by the Company before the end of its five-year term (other than as a result of an uncured breach of the Supply Agreement by Navman), except that in the case of such acceleration the note balance would be subordinated to the Company s bank debt pursuant to the provisions of a debt subordination agreement. In the absence of an acceleration event, the Navman note is payable solely in the form of a rebate on products sold by CalAmp to Navman under the Supply Agreement. After all rebates have been applied to pay down the note balance, and assuming that an acceleration event has not occurred, any unpaid balance remaining on the Navman note would be forgiven at the later of May 7, 2017 or the final date to which the Supply Agreement is extended pursuant to a force majeure event. The Company made note principal payments of $1,404,000 and $1,308,000 in fiscal 2015 and 2014, respectively.

Other Non-Current Liabilities

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

	February 28, 2015	February 28, 2014
Deferred revenue	$ 1,652	$ 1,977
Acquisition-related contingent consideration	-	1,092
Deferred compensation	2,246	131
Deferred rent	329	98
	$ 4,227	$ 3,298

In August 2013, the Company adopted a non-qualified deferred compensation plan in which the executive officers and certain other management employees are eligible to participate whereby such participants may defer a portion of their annual base and/or variable compensation until retirement or a date specified by each participant in accordance with the plan. Effective July 1, 2014, the plan was amended to include restricted stock units as a deferrable form of compensation and to allow non-employee directors to participate in the plan. The Company is informally funding the deferred compensation plan obligations by making cash deposits to a Rabbi Trust that are invested in mutual funds in generally the same proportion as the investment elections made by the participants for their compensation deferrals. Rabbi Trust assets and deferred compensation plan liabilities as of February 28, 2015 were approximately $2,222,000 and $2,246,000, respectively, and are included in other assets and other non-current liabilities, respectively, in the accompanying consolidated balance sheet at that date.

Contractual Cash Obligations

Following is a summary of the Company's contractual cash obligations as of February 28, 2015 (in thousands):

	Future Estimated Cash Payments Due by Fiscal Year					
Contractual Obligations	**2016**	**2017**	**2018**	**2019**	**2020**	**Total**
Note payable to Navman	$ 753	$ -	$ -	$ -	$ -	$ 753
Operating leases	1,640	1,732	1,564	1,513	880	7,329
Purchase obligations	44,711	-	-	-	-	44,711
Total contractual obligations	$ 47,104	$ 1,732	$ 1,564	$ 1,513	$ 880	$ 52,793

Purchase obligations consist primarily of inventory purchase commitments. Rent expense under operating leases was $2,146,000, $1,886,000 and $1,707,000 in fiscal years 2015, 2014 and 2013, respectively.

NOTE 8 INCOME TAXES

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

	Year Ended February 28,		
	2015	**2014**	**2013**
Domestic	$ 24,684	$ 17,185	$ 14,811
Foreign	116	726	637
Total income before income taxes	$ 24,800	$ 17,911	$ 15,448

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

	Year Ended February 28,		
	2015	**2014**	**2013**
Current:			
Federal	$ -	$ -	$ -
State	(325)	(42)	(9)
Foreign	(49)	(45)	(44)
Total current	(374)	(87)	(53)
Deferred:			
Federal	(8,134)	(6,346)	21,465
State	216	325	7,766
Total deferred	(7,918)	(6,021)	29,231
Total income tax benefit (provision)	$ (8,292)	$ (6,108)	$ 29,178

Differences between the income tax benefit (provision) reported in the consolidated statements of income and the income tax amount computed using the statutory U.S. federal income tax rate are as follows (in thousands):

	Year Ended February 28,		
	2015	2014	2013
Income tax provision at U.S. statutory federal rate of 35%	$ (8,680)	$ (6,269)	$ (5,407)
State income tax provision, net of federal income tax effect	(867)	(770)	(570)
Foreign taxes	41	209	178
Valuation allowance reductions (increases)	250	(865)	35,148
Research and development tax credits	1,556	1,126	721
Other, net	(592)	461	(892)
Total income tax benefit (provision)	$ (8,292)	$ (6,108)	$ 29,178

The components of net deferred income tax assets for U.S. income tax purposes are as follows (in thousands):

	February 28,	
	2015	2014
Net operating loss carryforwards	$ 20,318	$ 31,546
Depreciation, amortization and impairments	1,785	1,332
Research and development credits	8,738	7,238
Stock-based compensation	1,869	1,639
Capital loss carryforward	-	840
Other tax credits	635	551
Inventory reserve	484	576
Warranty reserve	697	593
Payroll and employee benefit accruals	1,797	1,185
Allowance for doubtful accounts	258	298
Other accrued liabilities	2,158	1,568
Other, net	242	233
Gross deferred tax assets	38,981	47,599
Valuation allowance	(4,159)	(4,849)
Net deferred tax assets	34,822	42,750
Less current portion	11,367	7,619
Non-current portion	$ 23,455	$ 35,131

The Company also has deferred tax assets for Canadian income tax purposes amounting to $4.3 million at February 28, 2015 which relate primarily to research and development expenses and non-capital loss carryforwards. The Company has provided a 100% valuation allowance against these Canadian deferred tax assets.

During fiscal 2013, the Company reversed a portion of its deferred tax asset valuation allowance corresponding to the amount of net operating loss carryforwards (NOLs) utilized to offset taxable income in that year. In addition, pursuant to the fiscal 2013 evaluation of the future utilizability of deferred tax assets, the Company reversed a substantial portion of the remaining valuation allowance at the end of fiscal 2013, resulting in an income tax benefit of $29.2 million for the year. The Company believes that it is more likely than not that the results of future operations will generate sufficient taxable income to realize the net deferred tax assets.

At February 28, 2015, the Company had NOLs of approximately $74 million and $79 million for federal and state purposes, respectively, expiring at various dates through fiscal 2033. If certain substantial changes in the Company s ownership were to occur, there could be an annual limitation on the amount of the NOL carryforwards that can be utilized.

As of February 28, 2015, the Company had research and development (R&D) tax credit carryforwards of $6.1 million and $5.6 million for federal and state income tax purposes, respectively. The federal R&D credits expire at various dates through 2035. A substantial portion of the state R&D tax credits have no expiration date.

As described further in Note 9, the Company has tax deductions on exercised stock options and vested restricted stock awards that exceed stock compensation expense amounts recognized for financial reporting purposes. These excess tax deductions, which amounted to $6.5 million and $12.8 million in fiscal 2015 and 2014, respectively, reduce current taxable income and thereby prolong the tax shelter period of the NOL and R&D tax credit carryforwards referred to above.

In 2007, the Company adopted FASB ASC Topic 740, Income Taxes, which clarifies the accounting for income taxes by prescribing a minimum recognition threshold that a tax position is required to meet before being recognized in the financial statements. Management determined based on its evaluation of the Company s income tax positions that it has one uncertain tax position relating to federal R&D tax credits of $1.0 million at February 28, 2015 for which the Company has not yet recognized an income tax benefit for financial reporting purposes.

Activity in the amount of unrecognized tax benefits for uncertain tax positions during the past three years is as follows (in thousands):

Balance at February 28, 2012	$	1,091
Decrease in fiscal 2013		(2)
Balance at February 28, 2013		1,089
Decrease in fiscal 2014		(60)
Balance at February 28, 2014	$	1,029
Decrease in fiscal 2015		-
Balance at February 28, 2015	$	1,029

The Company files income tax returns in the U.S. federal jurisdiction, various U.S. states, Canada, United Kingdom, and New Zealand. Income tax returns filed for fiscal years 2010 and earlier are not subject to examination by U.S. federal and state tax authorities. Certain income tax returns for fiscal years 2011 through 2014 remain open to examination by U.S. federal and state tax authorities. Income tax returns for fiscal years 2011 through 2014 remain open to examination by tax authorities in Canada. The Company believes that it has made adequate provision for all income tax uncertainties pertaining to these open tax years.

NOTE 9 STOCKHOLDERS' EQUITY

Sale of Common Stock

In February 2013, the Company raised cash of $44.8 million net of underwriter discount and offering costs from a public offering of 5,175,000 shares of its common stock.

Equity Awards

Under the Company's 2004 Incentive Stock Plan (the 2004 Plan), which was adopted on July 30, 2004 and was amended effective June 16, 2014, various types of equity awards can be made, including stock options, stock appreciation rights, restricted stock, restricted stock units (RSUs), phantom stock and bonus stock. To date, stock options, restricted stock, RSUs and bonus stock have been granted under the 2004 Plan. Options are generally granted with exercise prices equal to market value on the date of grant. All option grants expire 10 years after the date of grant.

Equity awards to officers and other employees become exercisable on a vesting schedule established by the Compensation Committee of the Board of Directors at the time of grant, generally over a four-year period. The Company treats an equity award with multiple vesting tranches 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.

Under the 2004 Plan, on the day of the annual stockholders meeting each non-employee director receives an equity award of up to 20,000 award units. Annual equity awards granted to non-employee directors vest on the date of the next annual stockholders meeting or one year from the date of grant, whichever is earlier. In addition, under the Company s current director compensation program, new non-employee directors receive a restricted stock award that vests in full on the third anniversary of the grant date with a grant date fair value equal to the fair value of the most recent annual equity award made to other non-employee directors, as well as a prorated annual equity award that vests 12 months from the grant date.

The following table summarizes stock option activity for fiscal years 2015, 2014 and 2013 (options in thousands):

	Number of Options	Weighted Average Exercise Price
Outstanding at February 28, 2012	2,163	4.78
Granted	84	7.01
Exercised	(466)	2.78
Forfeited or expired	(125)	3.90
Outstanding at February 28, 2013	1,656	5.53
Granted	56	15.14
Exercised	(611)	7.28
Forfeited or expired	(8)	4.53
Outstanding at February 28, 2014	1,093	$ 5.04
Granted	61	17.47
Exercised	(143)	5.01
Forfeited or expired	(4)	6.88
Outstanding at February 28, 2015	1,007	$ 5.80
Exercisable at February 28, 2015	834	$ 4.51

The weighted average fair value for stock options granted in fiscal years 2015, 2014 and 2013 was $11.02, $9.43 and $4.41, respectively. The fair value of options at the grant date was determined using the Black-Scholes option pricing model with the following assumptions:

	Year Ended February 28,		
Black-Scholes Valuation Assumptions	2015	2014	2013
Expected life (years) (1)	6	6	6
Expected volatility (2)	70%	69%	63%
Risk-free interest rates (3)	1.9%	1.7%	0.8%
Expected dividend yield	0%	0%	0%

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

The weighted average remaining contractual term and the aggregate intrinsic value of outstanding options as of February 28, 2015 was 4.6 years and $13.5 million, respectively. The weighted average remaining contractual term and the aggregate intrinsic value of exercisable options as of February 28, 2015 was 3.9 years and $12.2 million, respectively.

In July 2012, upon the net share settlement exercise of 168,000 options held by a former executive officer of the Company, the Company retained 93,691 shares to cover the option exercise price and minimum required statutory amount of withholding taxes.

During the year ended February 28, 2014, upon the net share settlement exercise of 62,899 options held by four directors of the Company, the Company retained 37,417 shares to cover the aggregate option exercise price.

Changes in the Company's outstanding restricted stock shares and RSUs during fiscal years 2015, 2014 and 2013 were as follows (shares and RSUs in thousands):

	Number of Restricted Shares and RSUs		Weighted Average Grant Date Fair Value
Outstanding at February 28, 2012	1,929		2.71
Granted	440		7.50
Vested	(916)		2.53
Forfeited	(115)		2.85
Outstanding at February 28, 2013	1,338		4.40
Granted	312		15.58
Vested	(592)		3.83
Forfeited	(34)		7.88
Outstanding at February 28, 2014	1,024	$	8.02
Granted	365		17.92
Vested	(471)		6.28
Forfeited	(32)		11.69
Outstanding at February 28, 2015	886	$	12.90

The Company retained 175,176 shares, 203,383 shares and 308,898 shares of the vested restricted stock and RSUs to cover the minimum required statutory amount of withholding taxes in fiscal 2015, 2014 and 2013, respectively.

Stock-based compensation expense for the years ended February 28, 2015, 2014 and 2013 is included in the following captions of the consolidated statements of income (in thousands):

	Year Ended February 28,		
	2015	2014	2013
Cost of revenues	$ 241	$ 191	$ 136
Research and development	613	516	450
Selling	591	360	252
General and administrative	2,655	1,857	2,072
	$ 4,100	$ 2,924	$ 2,910

As of February 28, 2015, there was $10.0 million of total unrecognized stock-based compensation cost related to nonvested equity awards. That cost is expected to be recognized over a weighted-average remaining vesting period of 2.7 years.

As of February 28, 2015, there were 2,433,026 award units in the 2004 Plan that were available for grant.

Tax Benefits from Exercise of Stock Options and Vesting of Restricted Stock and RSU Awards

Total cash received as a result of option exercises was $718,000 in fiscal 2015 and $3,928,000 in fiscal 2014. The aggregate fair value of options exercised and vested restricted stock and RSU awards as of the exercise date or vesting date was $9,900,000 for fiscal 2015 and $17,532,000 for fiscal 2014. In connection with these option exercises and vested restricted stock and RSU awards, the excess stock compensation tax deductions were $6,515,000 for fiscal 2015 and $12,781,000 for fiscal 2014. The Company has elected a policy of applying the with-and-without approach to determine the realized tax benefits for financial reporting purposes. Under this policy, none of the current year excess deductions are deemed to reduce regular taxes payable because the Company s NOL carryforwards are deemed to reduce taxes payable prior to the utilization of any excess tax deductions from the exercise of stock options and vesting of restricted stock and RSU awards. The excess tax deductions when realized by the Company for financial reporting purposes under the with-and-without approach will be recorded as an increase in additional paid-in capital in the consolidated balance sheet and will be classified as cash flows from financing activities rather than cash flows from operating activities in the consolidated cash flow statement.

NOTE 10 EARNINGS PER SHARE

Basic earnings per share is computed by dividing net income for the period by the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed by dividing net income for the period by the weighted average number of common shares outstanding during the period, plus the dilutive effect of outstanding stock options and restricted stock-based awards using the treasury stock method. The following table sets forth the computation of basic and diluted earnings per share (in thousands):

	Year Ended February 28,		
	2015	**2014**	**2013**
Basic weighted average number of common shares outstanding	35,784	34,969	28,886
Effect of stock options, restricted stock and restricted stock units computed on treasury stock method	746	1,054	1,096
Diluted weighted average number of common shares outstanding	36,530	36,023	29,982
Shares subject to anti-dilutive stock options and restricted stock-based awards excluded from calculation (in 000s)	159	57	322

NOTE 11 EMPLOYEE RETIREMENT PLANS

The Company maintains a 401(k) employee savings plan in the U.S. and a similar retirement savings plan in New Zealand in which all employees of these respective countries are eligible to participate. The Company may make matching contributions to the savings plans as authorized by the Board of Directors. The matching contribution in the U.S. savings plan is currently equal to a 100% match of the first 3% of participants compensation contributed to the plans plus a 50% match of the next 2% contributed by the participants. The New Zealand savings plan provides for matching contributions equal to the first 3% of participants compensation contributed to the plan. The Company recorded expense for the matching contributions of $1,059,000, $733,000 and $355,000 in fiscal years 2015, 2014 and 2013, respectively.

NOTE 12 OTHER FINANCIAL INFORMATION

Supplemental Cash Flow Information

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

	Year Ended February 28,		
	2015	**2014**	**2013**
Interest expense paid	$ 12	$ 117	$ 127
Income tax paid	$ 347	$ 35	$ 156

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

	Year Ended February 28,	
	2015	2014
Acquisition of Radio Satellite Integrators on December 18, 2013:		
Accrued liability for earn-out consideration	$ -	$ 2,063

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 year	Charged (credited) to costs and expenses	Deductions	Balance at end of year
Allowance for doubtful accounts:				
Fiscal 2013	$ 254	$ 241	$ (34)	$ 461
Fiscal 2014	461	353	(53)	761
Fiscal 2015	761	188	(276)	673
Warranty reserve:				
Fiscal 2013	$ 994	$ 910	$ (576)	$ 1,328
Fiscal 2014	1,328	881	(693)	1,516
Fiscal 2015	1,516	1,333	(1,030)	1,819
Deferred tax assets valuation allowance:				
Fiscal 2013	$ 39,054	$ (35,095)	$ -	$ 3,959
Fiscal 2014	3,959	890	-	4,849
Fiscal 2015	4,849	150	(840)	4,159

NOTE 13 COMMITMENTS AND CONTINGENCIES

Operating Lease Commitments

The Company leases a building in Oxnard, California that houses its corporate office and U.S. manufacturing facilities under an operating lease that expires on June 30, 2016. The lease agreement requires the Company to pay all maintenance, property taxes and insurance premiums associated with the building. In addition, the Company leases other facilities in California, Minnesota, Virginia and New Zealand. The Company also leases certain manufacturing equipment and office equipment under operating lease arrangements. A summary of future payments of operating lease commitments is included in the contractual cash obligations table in Note 7.

Supplier Guarantee

The Company has guaranteed the debt of a supplier to a third party. The Company has recourse against the supplier in the event that the Company is required to make a payment to the third party under the guaranty.

NOTE 14 LEGAL PROCEEDINGS

In December 2013, a patent infringement lawsuit was filed against the Company. The lawsuit contends that certain of the Company s vehicle tracking products infringe on the patents held by the plaintiff and seeks injunctive and monetary relief. The Company believes that it has various offensive claims against the plaintiff, and intends to vigorously defend against this action. While the outcome of this matter is currently not determinable, management does not expect that the ultimate cost to resolve this matter will have a material adverse effect on the Company s consolidated financial position or results of operations. The Company s assessment of materiality may change in the future based upon the availability of discovery and further developments in any matters. No loss accrual has been made in the accompanying consolidated financial statements for this matter.

In addition to the foregoing matter, from time to time as a normal consequence of doing business, various claims and litigation may be asserted or commenced against the Company. In particular, the Company in the ordinary course of business may receive claims concerning contract performance, or claims that its products or services infringe the intellectual property of third parties. While the outcome of any such claims or litigation cannot be predicted with certainty, management does not believe that the outcome of any of such matters existing at the present time would have a material adverse effect on the Company's consolidated financial position or results of operations.

NOTE 15 SEGMENT AND GEOGRAPHIC DATA

Information by business segment is as follows (in thousands, except percentages):

	Year ended February 28, 2015				Year ended February 28, 2014			
	Operating Segments				Operating Segments			
	Wireless DataCom	Satellite	Corporate Expenses	Total	Wireless DataCom	Satellite	Corporate Expenses	Total
Revenues	$ 213,119	$ 37,487		$ 250,606	$ 187,012	$ 48,891		$ 235,903
Gross profit	$ 77,899	$ 9,505		$ 87,404	$ 70,114	$ 9,817		$ 79,931
Gross margin	36.6%	25.4%		34.9%	37.5%	20.1%		33.9%
Operating income	$ 23,833	$ 5,017	$ (3,910)	$ 24,940	$ 16,324	$ 5,642	$ (3,623)	$ 18,343

	Year ended February 28, 2013			
	Operating Segments			
	Wireless DataCom	Satellite	Corporate Expenses	Total
Revenues	$ 139,503	$ 41,076		$ 180,579
Gross profit	$ 50,005	$ 6,888		$ 56,893
Gross margin	35.8%	16.8%		31.5%
Operating income	$ 16,844	$ 3,111	$ (3,975)	$ 15,980

The Company considers operating income to be a primary measure of operating performance of its business segments. The amount shown for each period in the Corporate Expenses column above consists of expenses that are not allocated to the business segments. These non-allocated corporate expenses include salaries and benefits of certain corporate staff and expenses such as audit fees, investor relations, stock listing fees, director and officer liability insurance, and director fees and expenses.

It is not practicable for the Company to report identifiable assets by segment because these businesses share resources, functions and facilities. 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 79%, 81%, and 82% of consolidated revenues in fiscal 2015, 2014 and 2013, respectively. No single foreign country accounted for more than 6% of the Company's revenue in fiscal 2015, 2014 or 2013.

NOTE 16 QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

The following summarizes certain quarterly statement of operations data for each of the quarters in fiscal 2015 and 2014 (in thousands, except percentages and per share data):

	Fiscal 2015				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Revenues	$ 58,981	$ 59,210	$ 63,225	$ 69,190	$ 250,606
Gross profit	20,219	20,496	22,104	24,585	87,404
Gross margin	34.3%	34.6%	35.0%	35.5%	34.9%
Net income	2,693	3,278	4,021	6,516	16,508
Earnings per diluted share	0.07	0.09	0.11	0.18	0.45

	Fiscal 2014				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Revenues	$ 53,746	$ 58,807	$ 63,503	$ 59,847	$ 235,903
Gross profit	18,481	19,839	20,995	20,616	79,931
Gross margin	34.4%	33.7%	33.1%	34.4%	33.9%
Net income	1,685	2,844	4,207	3,067	11,803
Earnings per diluted share	0.05	0.08	0.12	0.08	0.33

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE
Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company's principal executive officer and principal financial officer have concluded, based on their evaluation of disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the Exchange Act)) as of February 28, 2015, that the Company's disclosure controls and procedures are effective, at the reasonable assurance level, to ensure that the information required to be disclosed in reports that are filed or submitted under the Exchange Act is accumulated and communicated to management, including the principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure and to allow such information to be 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 Company s management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended.

The Company s management has assessed the effectiveness of the Company's internal control over financial reporting as of February 28, 2015. In making this assessment, management used criteria set forth in Internal Control Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on its assessment, management of the Company has concluded that as of February 28, 2015 the Company's internal control over financial reporting is effective based on those criteria.

The effectiveness of the Company s internal control over financial reporting as of February 28, 2015 has been audited by SingerLewak LLP, an independent registered public accounting firm, as stated in their report which is included in Part II, Item 8 of this Annual Report.

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 2015 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Compensatory Arrangements of Executive Officers

On February 25, 2015, the Board of Directors of the Company, upon the recommendation of the Compensation Committee, established the target and maximum bonuses and performance goals under the fiscal 2016 executive officer incentive compensation plan. The individuals covered by the fiscal 2016 executive officer incentive compensation plan are:

Michael Burdiek	President and Chief Executive Officer
Richard Vitelle	Executive Vice President, CFO and Secretary/Treasurer
Garo Sarkissian	Senior Vice President, Corporate Development

Mr. Burdiek is eligible for target and maximum bonuses of up to 100% and 150%, respectively, of his annual salary. Mr. Vitelle is eligible for target and maximum bonuses of up to 65% and 110%, respectively, of his annual salary. Mr. Sarkissian is eligible for target and maximum bonuses of up to 50% and 100%, respectively, of his annual salary. The target and maximum bonus amounts for all executive officers are based on the Company attaining certain levels of consolidated revenue and consolidated earnings before interest, taxes, depreciation and amortization (EBITDA) for fiscal 2016.

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 required by this Item will be included in the Company's definitive proxy statement for the Annual Meeting of Stockholders to be held on July 28, 2015 and is incorporated herein by this reference:

Information regarding directors of the Company.

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 required by this Item will be set forth under the caption Executive Compensation in the Company's definitive proxy statement for the Annual Meeting of Stockholders to be held on July 28, 2015 and is incorporated herein by this reference.

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

The information required by this Item will be set forth under the caption Stock Ownership in the Company's definitive proxy statement for the Annual Meeting of Stockholders to be held on July 28, 2015 and is incorporated herein by this reference.

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

The information contained under the captions Certain Relationships and Related Transactions and Director Independence in the Company's definitive proxy statement for the Annual Meeting of Stockholders to be held on July 28, 2015 is incorporated herein by reference in response to this item.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this Item will be set forth under the caption Independent Public Accountants in the Company's definitive proxy statement for the Annual Meeting of Stockholders to be held on July 28, 2015 and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

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

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

	Form 10-K Page No.
Reports of Independent Registered Public Accounting Firm	26-27
Consolidated Balance Sheets	28
Consolidated Statements of Income	29
Consolidated Statements of Stockholders' Equity	30
Consolidated Statements of Cash Flows	31
Notes to Consolidated Financial Statements	32

2. *Financial Statements Schedules:*

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

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

3. *Exhibits*

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

Exhibit Number	**Description**
3.1	Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 of the Company's Report on Form 10-Q for the period ended August 31, 2014).
3.2	Bylaws of the Company (incorporated by reference to Exhibit 3.2 of the Company's Report on Form 10-Q for the period ended August 31, 2014).
10.	Material Contracts:
	(i) Other than Compensatory Plan or Arrangements:
10.1	Building lease dated June 10, 2003 between the Company and Sunbelt Enterprises for 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	First Amendment to building lease dated December 20, 2010 between the Company and Sunbelt Enterprises for facility in Oxnard, California (incorporated by reference to Exhibit 10.2 of the Company's Report on Form 10-K for the year ended February 28, 2011).

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).
10.4	Loan and Security Agreement dated December 22, 2009 between Square 1 Bank, CalAmp Corp. and CalAmp's domestic subsidiaries (incorporated by reference to Exhibit 10.1 filed with the Company's Current Report on Form 8-K dated December 22, 2009).
10.5	Amendment dated March 24, 2010 to Loan and Security Agreement between Square 1 Bank, CalAmp Corp. and CalAmp's domestic subsidiaries (incorporated by reference to Exhibit 10.7 of the Company's Annual Report on Form 10-K for the year ended February 28, 2010).
10.6	Amendment dated December 22, 2010 to Loan and Security Agreement between Square 1 Bank, CalAmp Corp. and CalAmp s domestic subsidiaries (incorporated by reference to Exhibit 10.1 of the Company's Report on Form 10-Q for the period ended November 30, 2010).
10.7	Amendment dated August 15, 2011 to Loan and Security Agreement between Square 1 Bank, CalAmp Corp. and CalAmp s domestic subsidiaries (incorporated by reference to Exhibit 10.1 of the Company's Report on Form 8-K dated August 15, 2011).
10.8	Amendment dated March 1, 2013 to Loan and Security Agreement between Square 1 Bank, CalAmp Corp. and CalAmp s principal domestic subsidiary (incorporated by reference to Exhibit 10.1 of the Company's Report on Form 8-K dated March 1, 2013).
	(ii) Compensatory Plans or Arrangements required to be filed as Exhibits to this Report pursuant to Item 15 (b) of this Report:
10.9	CalAmp Corp. 2004 Incentive Stock Plan as amended and Restated (incorporated by reference to Exhibit A of the Company's Definitive Proxy Statement filed on June 16, 2014).
10.10	Employment Agreement between the Company and Richard Vitelle dated May 31, 2002 (incorporated by reference to Exhibit 10.9 of the Company's Annual Report on Form 10-K for the year ended February 28, 2004).
10.11	Employment Agreement between the Company and Michael Burdiek effective June 1, 2011 (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated May 27, 2011).
10.12	Employment Agreement between the Company and Garo Sarkissian dated July 2, 2007 (incorporated by reference to Exhibit 10.2 of the Company's Report on Form 10-Q for the period ended May 31, 2007).
10.13	Form of amendment to executive officer employment agreement dated December 19, 2008 (incorporated by reference to Exhibit 10.1 of the Company's Report on Form 10-Q for the period ended November 29, 2008).
10.14	Amendments to executive officer employment agreements dated June 12, 2013 (incorporated by reference to Exhibits 10.1, 10.2 and 10.3 of the Company's Report on Form 8-K filed on June 14, 2013).
21	Subsidiaries of the Registrant.
23.1	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.
101	

Interactive Data Files Pursuant to Rule 405 of Regulation S-T: (i) Consolidated Balance Sheets as of February 28, 2015 and 2014, (ii) Consolidated Statements of Income and Comprehensive Income for the years ended February 28, 2015, 2014 and 2013, (iii) Consolidated Statement of Stockholders Equity for the years ended February 28, 2015, 2014 and 2013, (iv) Consolidated Statements of Cash Flows for the years ended February 28, 2015, 2014 and 2013, and (v) Notes to Consolidated Financial Statements.

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 April 21, 2015.

CALAMP CORP.

By: /s/ Michael Burdiek
Michael Burdiek
President and 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/ A.J. Moyer A.J. Moyer	Chairman of the Board of Directors	April 21, 2015
/s/ Kimberly Alexy Kimberly Alexy	Director	April 21, 2015
/s/ Jeffery Gardner Jeffery Gardner	Director	April 21, 2015
/s/ Amal Johnson Amal Johnson	Director	April 21, 2015
/s/ Thomas Pardun Thomas Pardun	Director	April 21, 2015
/s/ Larry Wolfe Larry Wolfe	Director	April 21, 2015
/s/ Michael Burdiek Michael Burdiek	President, Chief Executive Officer and Director (principal executive officer)	April 21, 2015
/s/ Richard Vitelle Richard Vitelle	Executive Vice President, CFO and Secretary/ Treasurer (principal accounting and financial officer)	April 21, 2015