

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

Form 10-Q

(Mark One)

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

For the quarterly period ended August 27, 2011

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: 0-12182

CALAMP CORP.

(Exact name of Registrant as specified in its Charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

95-3647070

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

1401 N. Rice Avenue

Oxnard, California

(Address of principal executive offices)

93030

(Zip Code)

(805) 987-9000

(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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

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

Large accelerated filer ☐

Non-accelerated filer ☐

(Do not check if a smaller reporting company)

Accelerated filer ☐

Smaller reporting company ☒

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

The number of shares outstanding of the registrant's common stock as of September 19, 2011 was 28,703,715.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CALAMP CORP.

**CONSOLIDATED BALANCE SHEETS (Unaudited)
(IN THOUSANDS, EXCEPT PAR VALUE)**

Assets	August 31, 2011	February 28, 2011
Current assets:		
Cash and cash equivalents	\$ 4,256	\$ 4,241
Accounts receivable, less allowance for doubtful accounts of \$258 and \$290 at August 31, 2011 and February 28, 2011, respectively	14,523	16,814
Inventories	11,844	9,890
Costs and estimated earnings in excess of billings on uncompleted contracts	2,203	1,331
Deferred income tax assets	2,073	1,961
Prepaid expenses and other current assets	3,752	3,866
Total current assets	38,651	38,103
Property, equipment and improvements, net of accumulated depreciation and amortization	1,543	1,877
Deferred income tax assets, less current portion	9,758	9,887
Intangible assets, net	3,350	4,012
Other assets	1,078	1,606
	\$ 54,380	\$ 55,485
Liabilities and Stockholders' Equity		
Current liabilities:		
Bank working capital line of credit	\$ 5,274	\$ 7,489
Current portion of long-term debt	500	-
Accounts payable	13,618	14,103
Accrued payroll and employee benefits	3,382	3,341
Deferred revenue	5,667	5,796
Other current liabilities	2,515	2,140
Total current liabilities	30,956	32,869
Long-term debt	2,500	4,460
Other non-current liabilities	570	554
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$.01 par value; 3,000 shares authorized; no shares issued or outstanding	-	-
Common stock, \$.01 par value; 40,000 shares authorized; 28,702 and 28,147 shares issued and outstanding at August 31, 2011 and February 28, 2011, respectively	287	281
Additional paid-in capital	153,204	153,135
Accumulated deficit	(133,072)	(134,948)
Accumulated other comprehensive loss	(65)	(866)
Total stockholders' equity	20,354	17,602
	\$ 54,380	\$ 55,485

See accompanying notes to consolidated financial statements.

CALAMP CORP.

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

	Three Months Ended		Six Months Ended	
	August 31,		August 31,	
	2011	2010	2011	2010
Revenues	\$ 33,801	\$ 29,490	\$ 68,355	\$ 55,836
Cost of revenues	21,976	22,122	47,098	42,345
Gross profit	11,825	7,368	21,257	13,491
Operating expenses:				
Research and development	2,679	2,779	5,783	5,542
Selling	2,852	2,675	5,444	5,297
General and administrative	3,030	2,200	5,529	4,709
Intangible asset amortization	310	276	662	582
Total operating expenses	8,871	7,930	17,418	16,130
Operating income (loss)	2,954	(562)	3,839	(2,639)
Non-operating expense:				
Interest expense, net	(771)	(368)	(1,145)	(736)
Other expense, net	(821)	-	(803)	(32)
Total non-operating expense	(1,592)	(368)	(1,948)	(768)
Income (loss) before income taxes	1,362	(930)	1,891	(3,407)
Income tax provision	(6)	-	(15)	-
Net income (loss)	\$ 1,356	\$ (930)	\$ 1,876	\$ (3,407)
Basic and diluted earnings (loss) per share	\$ 0.05	\$ (0.03)	\$ 0.07	\$ (0.13)
Shares used in computing earnings (loss) per share:				
Basic	27,524	27,094	27,441	27,038
Diluted	28,310	27,094	28,268	27,038

See accompanying notes to consolidated financial statements.

CALAMP CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(IN THOUSANDS)

	Six Months Ended August 31,	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ 1,876	\$ (3,407)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	1,385	1,253
Stock-based compensation expense	1,099	1,004
Non-cash interest expense	724	268
Write-off of currency translation account of foreign subsidiary	801	-
Deferred tax assets, net	-	807
Other	-	9
Changes in operating assets and liabilities:		
Accounts receivable	2,291	2,870
Inventories	(1,954)	(1,379)
Costs and estimated earnings in excess of billings on uncompleted contracts	(872)	(95)
Prepaid expenses and other assets	223	376
Accounts payable	(485)	(1,028)
Accrued liabilities	432	(1,317)
Deferred revenue	(129)	677
NET CASH PROVIDED BY OPERATING ACTIVITIES	5,391	38
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(389)	(712)
Collections on note receivable	298	229
NET CASH USED IN INVESTING ACTIVITIES	(91)	(483)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds (repayments) of bank line of credit	(2,215)	1,898
Proceeds from bank term loan	3,000	-
Repayment of subordinated notes payable	(5,000)	-
Payment of debt issue costs	(63)	-
Taxes paid related to net share settlement of vested equity awards	(1,016)	(388)
Proceeds from exercise of stock options	9	-
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(5,285)	1,510
Net change in cash and cash equivalents	15	1,065
Cash and cash equivalents at beginning of period	4,241	2,986
Cash and cash equivalents at end of period	\$ 4,256	\$ 4,051

See accompanying notes to consolidated financial statements.

CALAMP CORP.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED AUGUST 31, 2011 AND 2010

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

Description of Business

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

The Company uses a 52-53 week fiscal year ending on the Saturday closest to February 28, which for fiscal 2011 fell on February 26, 2011. The actual interim periods ended on August 27, 2011 and August 28, 2010. In the accompanying unaudited consolidated financial statements, the 2011 fiscal year end is shown as February 28 and the interim period end for both years is shown as August 31 for clarity of presentation.

Certain notes and other information are condensed or omitted from the interim financial statements presented in this Quarterly Report on Form 10-Q. Therefore, these financial statements should be read in conjunction with the Company's 2011 Annual Report on Form 10-K as filed with the Securities and Exchange Commission on April 28, 2011.

In the opinion of the Company's management, the accompanying unaudited consolidated financial statements reflect all adjustments (consisting of normal recurring adjustments) considered necessary to present fairly the Company's financial position at August 31, 2011 and its results of operations for the three and six months ended August 31, 2011 and 2010. The results of operations for such periods are not necessarily indicative of results to be expected for the full fiscal year.

All significant intercompany transactions and accounts have been eliminated in consolidation.

Revenue Recognition

The Company recognizes revenue from product sales when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable and collection of the sales price is reasonably assured. Generally, these criteria are met at the time product is shipped, except for shipments made on the basis of "FOB Destination" terms, in which case title transfers to the customer and the revenue is recorded by the Company when the shipment reaches the customer. Customers do not have rights of return except for defective products returned during the warranty period.

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

The Company also undertakes projects that include the design and development of communication systems used in the public safety and transportation sectors that are customized to customers' specifications or that involve fixed site construction. Sales under such contracts are recorded under the percentage-of-completion method. Costs and estimated revenues are recorded as work is performed based on the percentage that incurred costs bear to estimated total costs utilizing the most recent estimates of costs. If the current contract estimate indicates a loss, provision is made for the total anticipated loss in the current period.

Costs and Estimated Earnings on Uncompleted Contracts

Costs and estimated earnings in excess of billings on uncompleted contracts arise when contract revenues have been recognized on the percentage-of-completion method in advance of when the amounts can be invoiced to the customers under the terms of the contracts. Such amounts are billable to the customers upon various measures of performance, including achievement of certain milestones, completion of specified units, or completion of a contract. Costs and estimated earnings on uncompleted contracts and related amounts billed were as follows (in thousands):

	August 31, 2011	February 28, 2011
Costs incurred on uncompleted contracts	\$ 3,599	\$ 2,167
Estimated earnings	2,715	1,713
	6,314	3,880
Less: billings to date	4,165	2,594
Net costs and earnings in excess of billings	\$ 2,149	\$ 1,286

Such amounts were included in the accompanying consolidated balance sheets under the following captions (in thousands):

	August 31, 2011	February 28, 2011
Costs and estimated earnings in excess of billings on uncompleted contracts	\$ 2,203	\$ 1,331
Billings in excess of costs and estimated earnings on uncompleted contracts (included in other current liabilities)	(54)	(45)
Net costs and earnings in excess of billings	\$ 2,149	\$ 1,286

Disclosures About Fair Value of Financial Instruments

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

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

Debt - The estimated fair value of the Company's bank debt approximates the carrying value of such debt because the interest rate is variable and is market-based.

Reclassifications

Certain amounts in the financial statements of the prior year have been reclassified to conform to the fiscal 2012 presentation with no effect on net earnings. Specifically, in the February 28, 2011 consolidated balance sheet, \$1,331,000 previously included in prepaid expenses and other current assets has been reclassified to costs and estimated earnings in excess of billings on uncompleted contracts.

NOTE 2 - INVENTORIES

Inventories consist of the following (in thousands):

	August 31, 2011	February 28, 2011
Raw materials	\$ 9,458	\$ 8,663
Work in process	134	85
Finished goods	2,252	1,142
	\$ 11,844	\$ 9,890

NOTE 3 - INTANGIBLE ASSETS

Intangible assets are comprised as follows (in thousands):

	Amortization Period	August 31, 2011			February 28, 2011		
		Gross			Gross		
		Carrying Amount	Accumulated Amortization	Net	Carrying Amount	Accumulated Amortization	Net
Developed/core technology	5-7 years	\$ 2,853	\$ 1,861	\$ 992	\$ 3,101	\$ 1,783	\$ 1,318
Tradenname	7 years	2,130	152	1,978	2,130	-	2,130
Customer lists	5-7 years	1,268	924	344	1,339	831	508
Covenants not to compete	4-5 years	115	99	16	138	106	32
Patents	4-5 years	39	19	20	39	15	24
		<u>\$ 6,405</u>	<u>\$ 3,055</u>	<u>\$ 3,350</u>	<u>\$ 6,747</u>	<u>\$ 2,735</u>	<u>\$ 4,012</u>

The Dataradio tradenname, which was originally classified as an indefinite-lived asset at the time of its acquisition in 2006, was recently determined to have a finite useful life as a result of management's decision to phase out the use of this tradenname in the future. Effective at the beginning of the current fiscal year, the Company commenced the amortization of this asset over a period of seven years.

Amortization expense of intangible assets was \$310,000 and \$276,000 for the three months ended August 31, 2011 and 2010, respectively, and was \$662,000 and \$582,000 for the six-month periods then ended. All intangible asset amortization expense was attributable to the Wireless DataCom segment.

Estimated future amortization expense for the fiscal years ending February 28 is as follows (in thousands):

2012 (remainder)	\$ 615
2013	1,060
2014	464
2015	304
2016	304
Thereafter	603
	<u>\$ 3,350</u>

NOTE 4 - FINANCING ARRANGEMENTS

On August 15, 2011, the Company and Square 1 Bank entered into a Fourth Amendment (the "Fourth Amendment") to the Loan and Security Agreement dated as of December 22, 2009 (as amended, the "Amended Loan Agreement"), which provides for borrowings of up to \$12 million. Effective with the Fourth Amendment, the facility is now comprised of a \$3 million term loan facility, which was fully funded on the date of the Fourth Amendment, and a revolver of up to \$12 million, and the maturity date is August 15, 2014. The revolver borrowing limit is equal to the lesser of (a) \$12 million minus the term loan principal outstanding at any point in time, or (b) 85% of eligible accounts receivable. The term loan principal is repayable at the rate of \$100,000 per month beginning April 2012. All borrowings under the Amended Loan Agreement bear interest at Square 1 Bank's prime rate plus 1.0% per annum. Interest is payable on the last day of each calendar month. The Company paid a loan fee of \$60,000 to Square 1 Bank in connection with entering into the Fourth Amendment.

At August 31, 2011, the Company had outstanding borrowings under the revolver of \$5,274,000, and the amount available to borrow at that date amounted to \$3,726,000. At August 31, 2011, the effective interest rate on the revolver and bank term loan was 4.25%. At February 28, 2011, the effective interest rate on the revolver was 6.0%.

The Amended Loan Agreement contains a financial covenant that requires the Company to maintain minimum levels of earnings before interest, income taxes, depreciation, amortization and other noncash charges ("EBITDA") on a rolling six-month basis and a minimum debt coverage ratio. The Amended Loan Agreement 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 Amended Loan Agreement requires a lock-box and cash collateral account whereby cash remittances from the Company's customers are directed to the cash collateral account and which amounts are applied to reduce the revolving loan principal balance. Borrowings under the Amended Loan Agreement are secured by substantially all of the assets of the Company and its domestic subsidiaries.

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

	August 31, 2011	February 28, 2011
Bank term loan	\$ 3,000	\$ -
Subordinated promissory notes	-	5,000
Less unamortized discount on subordinated notes	-	(540)
	3,000	4,460
Less portion due within one year	(500)	-
Long-term debt	<u>\$ 2,500</u>	<u>\$ 4,460</u>

On December 22, 2009 and January 15, 2010, the Company raised an aggregate amount of \$5,000,000 from the issuance of subordinated promissory notes (the "Subordinated Notes") that bore interest at 12% per annum and had a maturity date of December 22, 2012. On August 15, 2011, in conjunction with entering into the Fourth Amendment, the Company paid in full the \$5,000,000 outstanding principal balance of the Subordinated Notes plus accrued interest of approximately \$76,000. The 500,000 common stock purchase warrants that were issued to the subordinated note holders at the time the notes were issued have an expiration date of December 22, 2012, and are exercisable at \$4.02 per share.

Other Non-Current Liabilities

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

	August 31, 2011	February 28, 2011
Deferred rent	\$ 12	\$ 4
Deferred revenue	558	550
	<u>\$ 570</u>	<u>\$ 554</u>

NOTE 5 - INCOME TAXES

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and for income tax purposes. A deferred income tax asset is recognized if realization of such asset is more likely than not, based upon the weight of available evidence which includes historical operating performance and the Company's forecast of future operating performance. The Company evaluates the realizability of its deferred income tax assets and a valuation allowance is provided, as necessary. During this evaluation, the Company reviews its forecasts of income in conjunction with the positive and negative evidence surrounding the realizability of its deferred income tax assets to determine if a valuation allowance is needed.

The Company files income tax returns in the U.S. federal jurisdiction, various U.S. states, Canada and France. Income tax returns filed for fiscal years 2006 and earlier are not subject to examination by U.S. federal and state tax authorities. Certain income tax returns for fiscal years 2007 through 2011 remain open to examination by U.S. federal and state tax authorities. Income tax returns for fiscal years 2008 through 2011 remain open to examination by tax authorities in Canada and France. The Company believes that it has made adequate provision for all income tax uncertainties pertaining to these open tax years.

At August 31, 2011, the Company had a net deferred income tax asset balance of \$11.8 million, comprised of a gross deferred tax asset of \$52.1 million and a valuation allowance of \$40.3 million. The current portion of the net deferred tax assets is \$2,073,000 and the noncurrent portion is \$9,758,000.

No income tax provision, other than minimum state and federal income taxes, was recorded during the quarter ended August 31, 2011 because of the existence of net operating loss carryforwards that offset the pre-tax income. No tax benefit was recorded during the three and six-month periods ended August 31, 2010, when the Company had a pretax loss, because the future realizability of such benefit was not considered to be more likely than not.

NOTE 6 - EARNINGS (LOSS) PER SHARE

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

The following is a summary of the calculation of weighted average shares used in the computation of basic and diluted earnings (loss) per share (in thousands):

	Three Months Ended August 31,		Six Months Ended August 31,	
	2011	2010	2011	2010
Basic weighted average number of common shares outstanding	27,524	27,094	27,441	27,038
Effect of stock options, restricted stock, restricted stock units and warrants computed on treasury stock method	786	-	827	-
Diluted weighted average number of common shares outstanding	28,310	27,094	28,268	27,038

Shares underlying stock awards and warrants amounting to 2,216,000 at August 31, 2011 were excluded from the calculations of diluted earnings per share for the three and six months then ended because their inclusion would have been anti-dilutive under the treasury stock method.

Shares underlying stock awards and warrants amounting to 5,107,000 at August 31, 2010 were excluded from the computation of diluted earnings per share because the Company reported a net loss during the three- and six-month periods then ended and the effect of inclusion would be anti-dilutive (i.e., including such securities would result in a lower loss per share).

NOTE 7 - COMPREHENSIVE INCOME (LOSS)

Comprehensive income (loss) is defined as the total of net income (loss) and all non-owner changes in equity. The following table details the components of comprehensive income (loss) for the three and six months ended August 31, 2011 and 2010 (in thousands):

	Three Months Ended August 31,		Six Months Ended August 31,	
	2011	2010	2011	2010
Net income (loss)	\$ 1,356	\$ (930)	\$ 1,876	\$ (3,407)
Reclassification adjustment for foreign currency loss included in net income	801	-	801	-
Comprehensive income (loss)	<u>\$ 2,157</u>	<u>\$ (930)</u>	<u>\$ 2,677</u>	<u>\$ (3,407)</u>

During the second quarter of fiscal 2012, the Company wrote off \$801,000 of cumulative foreign currency translation losses related to its French subsidiary as a result of the decision to shut down this subsidiary.

NOTE 8 - STOCK-BASED COMPENSATION

Stock-based compensation expense is included in the following captions of the unaudited consolidated statements of operations (in thousands):

	Three Months Ended August 31,		Six Months Ended August 31,	
	2011	2010	2011	2010
Cost of revenues	\$ (3)	\$ 34	\$ 40	\$ 73
Research and development	94	74	176	153
Selling	48	60	93	100
General and administrative	428	313	790	678
	<u>\$ 567</u>	<u>\$ 481</u>	<u>\$ 1,099</u>	<u>\$ 1,004</u>

Changes in the Company's outstanding stock options during the six months ended August 31, 2011 were as follows (options in thousands):

	Number of Options	Weighted Average Option Price
Outstanding at February 28, 2011	2,108	\$ 4.87
Granted	164	3.42
Exercised	(6)	1.63
Forfeited or expired	(92)	4.98
Outstanding at August 31, 2011	<u>2,174</u>	<u>\$ 4.77</u>
Exercisable at August 31, 2011	<u>1,588</u>	<u>\$ 5.63</u>

Changes in the Company's unvested restricted stock shares and RSUs during the six months ended August 31, 2011 were as follows (shares and RSUs in thousands):

	Number of Restricted Shares and RSUs	Weighted Average Grant Date Fair Value
Outstanding at February 28, 2011	2,045	\$ 2.16
Granted	752	3.59
Vested	(804)	2.22
Forfeited	(53)	1.91
Outstanding at August 31, 2011	1,940	\$ 2.70

During the six months ended August 31, 2011, the Company retained 274,000 of the 804,000 vested restricted stock shares and RSUs to cover the minimum statutory required amount of employee withholding taxes.

As of August 31, 2011, the total unrecognized stock-based compensation cost related to nonvested stock options, restricted stock and RSUs amounted to \$5.7 million. This cost is expected to be recognized as an expense over a weighted-average remaining vesting period of 3.0 years.

NOTE 9 - CONCENTRATION OF RISK

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. One customer of the Company's Satellite business unit accounted for 24% and 38% of consolidated revenues for the quarters ended August 31, 2011 and 2010, respectively, and accounted for 30% and 39% of consolidated revenues for the respective six-month periods then ended. This customer accounted for 21% and 28% of consolidated net accounts receivable at August 31, 2011 and February 28, 2011, respectively. One other customer accounted for 11% of consolidated revenue for the three months ended August 31, 2011.

Some of the Company's components, assemblies and electronic manufacturing services are purchased from sole source suppliers. One supplier, which functions as an independent foreign procurement agent, accounted for approximately 50% of the Company's total inventory purchases in the six months ended August 31, 2011 and 2010. At August 31, 2011, this supplier accounted for 47% of the Company's total accounts payable balance.

NOTE 10 - PRODUCT WARRANTIES

The Company generally warrants its products against defects over periods ranging from 3 to 24 months. An accrual for estimated future costs relating to products returned under warranty is recorded as an expense when products are shipped. At the end of each quarter, the Company adjusts its liability for warranty claims based on its actual warranty claims experience as a percentage of revenues for the preceding one to two years and also considers the impact of the known operational issues that may have a greater impact than historical trends. Activity in the accrued warranty costs liability for the six months ended August 31, 2011 and 2010 is as follows (in thousands):

	Six Months Ended August 31,	
	2011	2010
Balance at beginning of period	\$ 700	\$ 1,231
Charged to costs and expenses	467	360
Deductions	(305)	(853)
Balance at end of period	\$ 862	\$ 738

Accrued warranty costs are included in Other Current Liabilities in the consolidated balance sheets at August 31, 2011 and February 28, 2011.

NOTE 11 - OTHER FINANCIAL INFORMATION

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

	Six Months Ended August 31,	
	2011	2010
Interest expense paid	\$ 625	\$ 537
Income taxes paid (refunds received)	\$ 8	\$ (806)

NOTE 12 - SEGMENT INFORMATION

Segment information for the three and six months ended August 31, 2011 and 2010 is as follows (dollars in thousands):

	Three Months Ended August 31, 2011				Three Months Ended August 31, 2010			
	Operating Segments				Operating Segments			
	Wireless				Wireless			
	DataCom	Satellite	Corporate	Total	DataCom	Satellite	Corporate	Total
Revenues	\$ 25,523	\$ 8,278		\$ 33,801	\$ 18,074	\$ 11,416		\$ 29,490
Gross profit	\$ 11,380	\$ 445		\$ 11,825	\$ 6,223	\$ 1,145		\$ 7,368
Gross margin	44.6%	5.4%		35.0%	34.4%	10.0%		25.0%
Operating income (loss)	\$ 4,399	\$ (447)	\$ (998)	\$ 2,954	\$ 497	\$ (129)	\$ (930)	\$ (562)

	Six Months Ended August 31, 2011				Six Months Ended August 31, 2010			
	Operating Segments				Operating Segments			
	Wireless				Wireless			
	DataCom	Satellite	Corporate	Total	DataCom	Satellite	Corporate	Total
Revenues	\$ 47,560	\$ 20,795		\$ 68,355	\$ 33,893	\$ 21,943		\$ 55,836
Gross profit	\$ 19,984	\$ 1,273		\$ 21,257	\$ 11,553	\$ 1,938		\$ 13,491
Gross margin	42.0%	6.1%		31.1%	34.1%	8.8%		24.2%
Operating income (loss)	\$ 6,529	\$ (735)	\$ (1,955)	\$ 3,839	\$ (136)	\$ (567)	\$ (1,936)	\$ (2,639)

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 that are not allocated to the business segments. These non-allocated corporate expenses include salaries and benefits of certain executive officers and expenses such as audit fees, investor relations, stock listing fees, director and officer liability insurance, and director fees and expenses. Corporate expenses include stock-based compensation expense of \$218,000 and \$160,000 in the three-month periods ended August 31, 2011 and 2010, respectively, and \$429,000 and \$330,000, respectively, in the six-month periods then ended.

Effective with the fiscal 2012 first quarter, certain general and administrative expenses that were previously treated as non-allocated corporate expenses were allocated to the operating segments. In the above segment information table, the operating income (loss) amounts for the three- and six-month periods ended August 31, 2010 have been reclassified to conform with the fiscal 2012 presentation. These changes had no effect on consolidated general and administrative expenses.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Legal Proceedings

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 that are pending at the present time would have a material adverse effect on the Company's consolidated financial position or results of operations.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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 may affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of sales and expenses during the reporting periods. Actual results could differ materially from these estimates. The critical accounting policies listed below involve the Company's more significant accounting judgments and estimates that are used in the preparation of the consolidated financial statements. These policies are described in greater detail in Management's Discussion and Analysis ("MD&A") under Part II, Item 7 of the Company's Annual Report on Form 10-K for the year ended February 28, 2011, as filed with the Securities and Exchange Commission on April 28, 2011, and include the following areas:

- Allowance for doubtful accounts;
- Inventory write-downs;
- Product warranties;
- Deferred income tax assets and uncertain tax positions;
- Impairment assessments of purchased intangible assets and other long-lived assets;
- Stock-based compensation expense; and
- Revenue recognition.

RESULTS OF OPERATIONS

Overview

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

Wireless DataCom

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

Satellite

The Company's DBS reception products are primarily sold to EchoStar, an affiliate of Dish Network, for incorporation into complete subscription satellite television systems.

Operating Results by Business Segment

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

Segment	REVENUE BY SEGMENT							
	Three Months Ended August 31,				Six Months Ended August 31,			
	2011		2010		2011		2010	
	\$000s	% of Total	\$000s	% of Total	\$000s	% of Total	\$000s	% of Total
Wireless DataCom	\$ 25,523	75.5%	18,074	61.3%	\$ 47,560	69.6%	\$ 33,893	60.7%
Satellite	8,278	24.5%	11,416	38.7%	20,795	30.4%	21,943	39.3%
Total	\$ 33,801	100.0%	\$ 29,490	100.0%	\$ 68,355	100.0%	\$ 55,836	100.0%

Segment	GROSS PROFIT BY SEGMENT							
	Three Months Ended August 31,				Six Months Ended August 31,			
	2011		2010		2011		2010	
	\$000s	% of Total	\$000s	% of Total	\$000s	% of Total	\$000s	% of Total
Wireless DataCom	\$ 11,380	96.2%	\$ 6,223	84.5%	\$ 19,984	94.0%	\$ 11,553	85.6%
Satellite	445	3.8%	1,145	15.5%	1,273	6.0%	1,938	14.4%
Total	\$ 11,825	100.0%	\$ 7,368	100.0%	\$ 21,257	100.0%	\$ 13,491	100.0%

Segment	OPERATING INCOME (LOSS) BY SEGMENT							
	Three Months Ended August 31,				Six Months Ended August 31,			
	2011		2010		2011		2010	
	\$000s	% of Total Revenue	\$000s	% of Total Revenue	\$000s	% of Total Revenue	\$000s	% of Total Revenue
Wireless DataCom	\$ 4,399	13.0%	\$ 497	1.7%	\$ 6,529	9.6%	\$ (136)	(0.2)%
Satellite	(447)	(1.3)%	(129)	(0.4)%	(735)	(1.1)%	(567)	(1.0)%
Corporate expenses	(998)	(3.0)%	(930)	(3.2)%	(1,955)	(2.9)%	(1,936)	(3.5)%
Total	\$ 2,954	8.7%	\$ (562)	(1.9)%	\$ 3,839	5.6%	\$ (2,639)	(4.7)%

Revenue

Wireless DataCom revenue increased by \$7.4 million, or 41%, to \$25.5 million in the second quarter of fiscal 2012 compared to the fiscal 2011 second quarter. For the six months ended August 31, 2011, Wireless DataCom revenue increased by \$13.7 million, or 40%, to \$47.6 million compared to the same period of the prior year. The MRM business contributed significantly to the increased revenue through the addition of new customers, growth in orders from existing customers, license fee revenue of \$400,000 in the first quarter of fiscal 2012, and revenue of \$3.0 million from the sale of patents in the second quarter of fiscal 2012. The remaining Wireless DataCom revenue increase was attributable to higher sales of the Wireless Networks business, with significant contribution from an important project in the railroad sector.

Satellite revenue decreased \$3.1 million, or 27%, to \$8.3 million in the three months ended August 31, 2011 from \$11.4 million for the same period in the previous fiscal year. For the six months ended August 31, 2011, Satellite revenue decreased \$1.1 million, or 5%, to \$20.8 million from \$21.9 million for the same period of the prior year. The year-over-year revenue decreases were due to changes in product mix and product transitions.

Gross Profit and Gross Margins

Wireless DataCom gross profit increased by \$5.2 million to \$11.4 million in the fiscal 2012 second quarter compared to \$6.2 million in the second quarter of last year, and gross margin improved to 44.6% in the second quarter of fiscal 2012 from 34.4% in the second quarter of fiscal 2011 due primarily to higher revenue, including the \$3 million patents sale, for which there was no associated cost of revenue.

Wireless DataCom gross profit increased 73% to \$20.0 million in the six months ended August 31, 2011, compared to \$11.6 million for the same period of the prior year. Wireless DataCom gross margin increased from 34% in the first half of fiscal 2011 to 42% in the first half of fiscal 2012 due primarily to higher revenue and the sale of patents.

Satellite gross profit decreased by \$700,000 to \$445,000 in the fiscal 2012 second quarter compared to the second quarter of last year. Satellite's gross margin decreased to 5.4% in the fiscal 2012 second quarter from 10% in the second quarter of last year due to lower revenue, severance of approximately \$200,000 for production jobs that were eliminated in conjunction with the transition to off-shore manufacturing, and approximately \$150,000 in other costs associated with the restructuring of the Satellite business. Gross profit and gross margin in the second quarter of last year also benefited from royalty income of \$200,000 that had no corresponding cost of revenue.

The Satellite segment had gross profit of \$1.3 million for the six months ended August 31, 2011, compared with gross profit of \$1.9 million for the same period last year. Satellite gross margin was 6.1% for the six months ended August 31, 2011, compared to 8.8% for the same period last year. The decrease in gross profit and gross margin in the latest six-month period is primarily attributable to the factors cited above for the lower gross profit and gross margin in the latest quarter.

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

Operating Expenses

Consolidated research and development ("R&D") expense decreased by \$100,000 to \$2,679,000 in the second quarter of fiscal 2012 from \$2,779,000 in the second quarter of last year. For the six-month year-to-date periods, R&D expenses increased by \$241,000 from \$5,542,000 last year to \$5,783,000 this year due to severance costs arising from personnel reductions in the Satellite business during the first quarter of fiscal 2012 (\$116k), 401K employer contribution (\$58k) and higher consulting and outside services (\$47k).

Consolidated selling expenses increased by \$177,000 to \$2,852,000 in the second quarter of this year from \$2,675,000 last year. For the six-month year-to-date periods, selling expenses increased by \$147,000 from \$5,297,000 last year to \$5,444,000 this year. These year-over-year increases are due primarily to expenses incurred in connection with the shut-down of the Company's French subsidiary.

Consolidated general and administrative expenses ("G&A") increased by \$830,000 to \$3,030,000 in the second quarter of this year compared to the prior year. For the six-month periods, consolidated G&A increased by \$820,000 to \$5,529,000 for fiscal 2012 from \$4,709,000 last year. These year-over-year increases are due primarily to higher incentive expense, increased salaries expense, and expenses incurred in connection with the shut-down of the Company's French subsidiary.

Amortization of intangibles increased from \$276,000 in the second quarter of last year to \$310,000 in the first quarter of this year. For the six-month periods, amortization of intangibles increased to \$662,000 this year from \$582,000 last year. The increase is attributable to the amortization of the Dataradio tradename asset over a period of seven years commencing in the first quarter of fiscal 2012. This tradename asset was classified as indefinite-lived asset in years prior to fiscal 2012 and accordingly it was not being amortized prior to the current year.

Non-operating Expense, Net

Non-operating expense increased \$1,224,000 from the second quarter of last year to the second quarter of this year. This increase was primarily due to \$801,000 cumulative foreign currency translation account losses related to the Company's investment in its French subsidiary that were written off as a result of the decision to shut down this subsidiary. Also contributing to the increase in non-operating expense in the latest quarter was the \$462,000 write-off of the remaining unamortized debt discount and issue costs on the 12% Subordinated Notes as a result of repaying this debt in August 2011, which was 16 months prior to the maturity date.

Non-operating expense was \$1,948,000 in the six months ended August 31, 2011, compared to non-operating expense of \$768,000 in the six months ended August 31, 2010 due to the reasons noted above.

Income Tax Provision

No income tax provision, other than minimum state and federal income taxes, was recorded during the quarter ended August 31, 2011 because of the existence of net operating loss carryforwards that offset the pre-tax income. No tax benefit was recorded during the three and six-month periods ended August 31, 2010, when the Company had a pretax loss, because the future realizability of such benefit was not considered to be more likely than not.

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary sources of liquidity are its cash and cash equivalents, which amounted to \$4,256,000 at August 31, 2011, and the revolving line of credit with Square 1 Bank. During the six months ended August 31, 2011, cash and cash equivalents increased by \$15,000. During this period, cash was provided by operations in the amount of \$5,391,000, proceeds from the bank term loan of \$3,000,000 and collections on a note receivable of \$298,000, partially offset by repayment of subordinated notes payable of \$5,000,000, net repayments on the bank working capital line of credit of \$2,215,000, capital expenditures of \$389,000 and payment of employee withholding taxes on the net share settlement of vested equity awards of \$1,016,000.

On August 15, 2011, the Company and Square 1 Bank entered into a Fourth Amendment (the "Fourth Amendment") to the Loan and Security Agreement dated as of December 22, 2009 (as amended, the "Loan Agreement"), which provides for borrowings of up to \$12 million. Effective with the Fourth Amendment, the facility is now comprised of a \$3 million term loan facility, which was fully funded on the date of the Fourth Amendment, and a revolver of up to \$12 million, and the maturity date is August 15, 2014. The revolver borrowing limit is equal to the lesser of (a) \$12 million minus the term loan principal outstanding at any point in time, or (b) 85% of eligible accounts receivable. The term loan principal is repayable at the rate of \$100,000 per month beginning April 2012. All borrowings under the Loan Agreement bear interest at Square 1 Bank's prime rate plus 1.0% per annum. Interest is payable on the last day of each calendar month. The Company paid a loan fee of \$60,000 to Square 1 Bank in connection with entering into the Fourth Amendment.

The Amended Loan Agreement contains a financial covenant that requires the Company to maintain minimum levels of earnings before interest, income taxes, depreciation, amortization and other noncash charges ("EBITDA") on a rolling six-month basis and a minimum debt coverage ratio. The Amended Loan Agreement 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 Amended Loan Agreement requires a lock-box and cash collateral account whereby cash remittances from the Company's customers are directed to the cash collateral account and which amounts are applied to reduce the revolving loan principal balance. Borrowings under the Amended Loan Agreement are secured by substantially all of the assets of the Company and its domestic subsidiaries.

FORWARD LOOKING STATEMENTS

Forward looking statements in this Form 10-Q which include, without limitation, statements relating to the Company's plans, strategies, objectives, expectations, intentions, projections and other information regarding future performance, are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The words "may", "will", "could", "plans", "intends", "seeks", "believes", "anticipates", "expects", "estimates", "judgment", "goal", and variations of these words and similar expressions, are intended to identify forward-looking statements. These forward-looking statements reflect the Company's current views with respect to future events and financial performance and are subject to certain risks and uncertainties, including, without limitation, product demand, market growth, competitive pressures and pricing declines in the Company's Satellite and Wireless markets, supplier constraints, manufacturing yields, the length and extent of the global economic downturn that has and may continue to adversely affect the Company's business, and other risks and uncertainties that are set forth under the caption "Risk Factors" in Part I, Item 1A of the Annual Report on Form 10-K for the year ended February 28, 2011 as filed with the Securities and Exchange Commission on April 28, 2011. Such risks and uncertainties could cause actual results to differ materially from historical or anticipated results. Although the Company believes the expectations reflected in such forward-looking statements are based upon reasonable assumptions, it can give no assurance that its expectations will be attained. The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Currency Risk

The Company has international operations that give rise to exposure to market risks from changes in foreign exchange rates. A cumulative foreign currency translation loss of \$65,000 related to the Company's Canadian subsidiary is included in accumulated other comprehensive loss in the stockholders' equity section of the consolidated balance sheets at August 31, 2011. Foreign currency losses (gains) of \$6,000 and \$(2,000) were included in the consolidated statements of operations for the three months ended August 31, 2011 and 2010, respectively. Foreign currency losses of \$13,000 and \$41,000 were included in the consolidated statements of operations for the six months ended August 31, 2011 and 2010, respectively. In addition, during the second quarter of fiscal 2012, the Company wrote off \$801,000 of cumulative foreign currency translation losses related to its French subsidiary as a result of the decision to shut down this subsidiary.

Interest Rate Risk

The Company has variable-rate bank debt. A fluctuation of one percent in the interest rate on the \$12 million loan facility with Square 1 Bank would have an annual impact of approximately \$120,000 on the Company's consolidated statement of operations assuming that the full amount of the facility was borrowed.

ITEM 4. CONTROLS AND PROCEDURES

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) under the Securities Exchange Act of 1934, (the "Exchange Act")) as of the end of the period covered by this Report, 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.

Internal Control Over Financial Reporting

There was no change in the Company's internal control over financial reporting during the Company's most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is not currently involved in any material pending legal proceedings.

ITEM 1A. RISK FACTORS

The reader is referred to Part I, "Item 1A. Risk Factors" in the Company's Annual Report on Form 10-K for the year ended February 28, 2011, for a discussion of factors that could materially affect the Company's business, financial condition or future results.

ITEM 6. EXHIBITS

Exhibit 10.1 - Patent Purchase Agreement between the Company and ProconGPS Inc. effective June 27, 2011

Exhibit 31.1 - Chief Executive Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

Exhibit 31.2 - Chief Financial Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

Exhibit 32 - Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

101.INS XBRL Instance Document

101.SCH XBRL Taxonomy Extension Schema Document

101.CAL XBRL Taxonomy Extension Calculation Linkbase Document

101.LAB XBRL Taxonomy Extension Label Linkbase Document

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

101.DEF XBRL Taxonomy Extension Definition Linkbase Document

SIGNATURE

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

September 29, 2011

Date

/s/ Richard Vitelle

Richard Vitelle

Vice President Finance & CFO

(Principal Financial Officer and

Chief Accounting Officer)

PATENT PURCHASE AGREEMENT

This PATENT PURCHASE AGREEMENT (this “*Agreement*”) is entered into, as of the Effective Date (defined below), by and between ProconGPS Inc., a Tennessee corporation, with an office at 2035 Lakeside Centre Way, Suite 125, Knoxville, TN 37922 (“*Purchaser*”), and CalAmp Products, Inc., a Delaware corporation, with an office at 1401 N. Rice Avenue, Oxnard, CA 93030 (“*Seller*”). The parties hereby agree as follows:

1. DEFINITIONS

“*Aercept Business*” means *Seller’s* business unit that sells *Global Positioning System Products* to the sub-prime vehicle finance sector for use in a *Turnkey System* maintained by *Seller* and/or *Seller’s Affiliates* and marketed under the Aercept brand.

“*Affiliate*” of a party means any entity that directly or indirectly controls, is controlled by or is under common control with such party. For the purpose of this definition of *Affiliate*, (i) “control” means owning, directly or indirectly, fifty percent (50%) or more of the beneficial or record ownership of the outstanding shares or other ownership interests of an entity, or having, directly or indirectly, the power to designate fifty percent (50%) or more of such entity’s directors, managers, or individuals exercising authority in the governance of such entity, and (ii) “entity” includes without limitation any individual, firm, corporation, partnership, limited liability company, joint venture, association, trust, or unincorporated organization. An entity shall be deemed to be an *Affiliate* under this Agreement only so long as all the requirements of being an Affiliate are met. A complete list of *Affiliates* of *Seller* as of the Effective Date is included in the *Disclosure Letter*.

“*Assigned Patent Rights*” means the *Patents* and additional rights set forth in paragraph 3.2.

“*Assignment of Patent Rights*” means the assignment document of *Exhibit A* assigning ownership of the Assigned Patent Rights from *Seller* to *Purchaser*.

“*Backend System*” means a database system and *Wireless Data Service* through which each data exchange with a *Global Positioning System Product* passes. The *Backend System* also includes the use of a mapping service.

“*Closing Date*” means June 27, 2011.

“*Disclosure Letter*” means *Seller’s* letter to *Purchaser*, dated as of the *Effective Date*, containing information and disclosures which provides exceptions to or otherwise qualifies the representations, warranties and covenants of *Seller* contained in this *Agreement*.

“*Effective Date*” means the date set forth on the signature page of this *Agreement*.

“Executed Assignment” means the executed and notarized *Assignment of Patent Rights* in *Exhibit A*, as signed by a duly authorized representative of *Seller*.

“Global Positioning System Product” means a location determination and communication device manufactured by or on behalf of *Seller* or an *Affiliate* of *Seller* which is compatible for use with the *Backend System*.

“Initial Deliverables” means (a) *Seller’s* or its agents’ list or other means of tracking information relating to the prosecution or maintenance of the *Patents* throughout the world, which is current as of the *Effective Date*; (b) the names, addresses, email addresses, and phone numbers of all prosecution counsel and agents responsible for prosecution of the *Patents*; (c) copies of assignments for the *Patents* from any and all inventors and prior owners to *Seller* or *Seller’s* predecessor in interest; (d) the ribbon copies of the *Patents*; (e) any conception and reduction to practice materials for the subject matter described in the *Patents*; (f) any docket or schedule of actions or fee payments related to prosecution of the *Patents*; (g) other files and original documents relating to the *Patents* (including, without limitation, Letters Patents and assignments necessary to establish that *Seller’s* representations and warranties of Section 5 are true and correct); (h) copies of any and all licenses granted under the *Patents*, covenants not to sue, and other encumbrances on the *Assigned Patent Rights*; and (i) complete copies of any and all reexamination file histories of the *Patents*.

“Licensed Product” means any product used in a *Turnkey Solution* provided by *Seller* or an *Affiliate* of *Seller* that is covered by the *Patents*.

“Patents” means the following patents and any reissues, or reexaminations of the following patents:

<u>Patent or Application No.</u>	<u>Country</u>	<u>Filing Date</u>	<u>Title of Patent and First Named Inventor</u>
6,025,774	U.S.	6/24/1998	Method for Retrieving Vehicular Collateral, Mark P. Forbes
6,249,217	U.S.	10/29/1999	Method for Retrieving Vehicular Collateral, Mark P. Forbes

“Seller License” has the meaning set forth in paragraph 3.3.

“Transmitted Copy” means a copy bearing a signature of a party that is reproduced or transmitted via email of a .pdf file, photocopy, facsimile, or other process of complete and accurate reproduction and transmission.

“Turnkey Solution” means a system operated by *Seller* or an *Affiliate* of *Seller*, for use in a vehicle finance application, that combines a *Global Positioning System Product* together with a *Backend System* through which each data exchange with the *Global Positioning System Product* passes and where the *Seller* or an *Affiliate* of *Seller* integrates and provides the *Backend System* and the *Wireless Data Services* and mapping service utilized by the *Backend System*. For purposes of clarity, a customer of seller, or any affiliate of a customer cannot operate any portion of the Turnkey Solution.

“Wireless Data Service” means a wide area network service provided or offered by **Seller** using wireless technology that is compatible with the **Global Positioning System Product**.

2. TRANSMITTAL, REVIEW, CLOSING CONDITIONS AND PAYMENT

2.1 TRANSMITTAL. By the time of closing, **Seller** will have delivered the **Initial Deliverables** and any other documents requested by **Purchaser** and agreed to be delivered by **Seller** (such additional documents and the **Initial Deliverables** are, collectively, the **“Deliverables”**), and that as a result of **Purchaser’s** review, the list of **Patents** in **Exhibit A**, may be revised by **Purchaser** both before and after the closing to conform these lists to the definition of **Patents** (and these revisions may therefore require the inclusion of additional provisional patent applications, patent applications, and patents on **Exhibit A**). To the extent any of the **Patents** are removed for any reason, the payment in paragraph 2.4 may be reduced by mutual agreement of the parties. If originals of the **Deliverables** are not available and delivered to **Purchaser** prior to closing, **Seller** will cause (i) such originals of the **Deliverables** to be sent to **Purchaser** or **Purchaser’s** representative promptly if and after such originals are located and (ii) **Seller** will deliver to **Purchaser** a declaration, executed under penalty of perjury, detailing **Seller’s** efforts to locate such unavailable original documents and details regarding how delivered copies were obtained.

2.2 Closing. The closing of the sale of the **Assigned Patent Rights** hereunder will occur when all conditions set forth in paragraph 2.3 have been satisfied or waived. **Purchaser** and **Seller** will use reasonable efforts to carry out the closing by the **Closing Date**.

2.3 Closing Conditions. The following are conditions precedent to **Purchaser’s** obligation to make the payment in paragraph 2.4.

(a) Signature by Seller. **Seller** timely executed this **Agreement** and delivered a **Transmitted Copy** of this **Agreement** to **Purchaser’s** representatives by not later than the **Closing Date** and promptly delivered two (2) executed originals of this **Agreement** to **Purchaser’s** representatives.

(b) Compliance With Agreement. **Seller** performed and complied in all respects with all of the obligations under this **Agreement** that are to be performed or complied with by it on or prior to the closing, including, without limitation, delivery of the **Deliverables**, and the **Executed Assignment**.

(c) Representations and Warranties True. **Purchaser** is satisfied that, as of the **Effective Date** and as of the closing, the representations and warranties of **Seller** contained in Section 5 are true and correct.

(d) Release of Security Interest. Any and all interests that any third party, including, without limitation, Square 1 Bank (and any successors thereto or **Affiliates** thereof), has or may have had in the **Assigned Patent Rights** has been fully released.

2.4 Payment. At closing, **Purchaser** will deliver to **Seller** in cash the sum of \$3,000,000 in immediately available funds via wire transfer. All payments made by **Purchaser** hereunder are strictly non-refundable. **Purchaser** may record the **Executed Assignment** with the applicable patent offices only upon or after closing.

2.5 Sales Taxes. While the parties do not believe that sales tax obligations will be incurred as a result of the **Assignment of Patent Rights**, any sales tax liability incurred as a result of the execution of the **Assignment of Patent Rights** in favor of the **Purchaser** shall be the **Purchaser's** sole responsibility.

2.6 Termination and Survival. In the event all conditions to closing set forth in paragraph 2.3 are not met by the **Closing Date**, **Purchaser** will have the right to terminate this **Agreement** by written notice to **Seller**. Upon termination, **Purchaser** will return all documents delivered to **Purchaser** under this Section 2 to **Seller**. The provisions of Section 6 will survive any termination.

3. TRANSFER OF PATENTS AND ADDITIONAL RIGHTS AND OBLIGATIONS

3.1 Assignment of Patents. Upon the closing, **Seller** shall sell, assign, transfer, and convey to **Purchaser** all right, title, and interest in and to the **Assigned Patent Rights** by executing the **Assignment of Patent Rights** in the form set forth in **Exhibit A**. **Seller** understands and acknowledges that, if the **Patents** have been assigned to **Affiliates** of **Seller** or subsidiaries, **Seller** is required prior to the closing to perform any and all actions necessary to establish that **Seller** is the owner of the **Patents** at the time of closing, and to record any and all assignments to **Seller**.

3.2 Assignment of Additional Rights and Obligations. Upon the closing, **Seller** hereby also sells, assigns, transfers, and conveys to **Purchaser** all right, title and interest in and to all (a) inventions, invention disclosures, and discoveries described in the **Patents**; (b) rights to apply in any or all countries of the world for patents, certificates of invention, utility models, industrial design protections, design patent protections, or other governmental grants or issuances of any type related to the Patents and the inventions, invention disclosures, and discoveries therein; (c) causes of action (whether known or unknown or whether currently pending, filed, or otherwise) and other enforcement rights under, or on account of, the Patents and/or the rights described in subparagraph 3.2(b), including all causes of action and other enforcement rights for (i) damages, (ii) injunctive relief, and (iii) any other remedies of any kind for past, current and future infringement subject to the covenant not to sue set out in paragraph 5.4; and (d) rights to collect royalties, license fees or other payments under or on account of the **Patents** and/or any of the foregoing; provided, however, in each such instance, **Purchaser's** rights shall be subject to **Purchaser** assuming all of **Seller's** obligations, if any, in accordance with the term and conditions of the outstanding licenses and other agreements, as set forth in the **Disclosure Letter**.

3.3 License Back to Seller under Patents. Upon the closing, **Purchaser** hereby grants to **Seller**, under the **Patents**, and for the lives and any extension thereof, a fully paid-up, non-exclusive, non-sublicensable, perpetual, irrevocable, worldwide right and license ("**Seller License**") to practice the methods and to make, have made, use, distribute, lease, sell, offer for sale, import, export, develop and otherwise dispose of and exploit any **Licensed Product**. The **Seller License** shall apply to the development, reproduction, modification and subsequent distribution of **Licensed Products** by the **Seller** and any of its **Affiliates**, and by authorized agents of the **Seller** and its **Affiliates** such as, but not limited to distributors, replicators, value added resellers (VARs), and original equipment manufacturers (OEMs). The **Seller License** shall include any services to facilitate use of any **Licensed Product** by any end-use customer that purchases or leases a **Licensed Product**, anywhere in the world. The **Seller License** covers, applies to and extends to the use by and resale of any **Licensed Product** by any customer of such **Licensed Product**.

3.4 Limitations on Transferability of Seller License. The **Seller License** may be transferred to a transferee that is either (a) the purchaser of all or substantially all of the operating assets (other than cash) of **Seller** or its **Aercept Business** assets servicing vehicle financing, or (b) the successor of **Seller** in connection with a merger involving the sale of all, or substantially all, of the outstanding capital stock of **Seller** (each of (a) and (b) a "**Permitted Transferee**").

In the event of such a transfer (a "**Transfer**"), the **Licensed Products** will not include, and in no event will the **Seller License** extend to: (1) any and all products, processes or services of a **Permitted Transferee** that were not **Licensed Products** prior to the **Transfer**; (2) any and all unlicensed products, processes or services sold by the **Permitted Transferee** prior to the **Transfer**; (3) any and all products, processes or services branded under one of the **Permitted Transferee's** pre-**Transfer** brands; and (4) any and all products, processes or services sold after the **Transfer** that do not use a **Backend System** serving the **Aercept Business** or a **Turnkey Solution** that existed prior to the **Transfer**.

Notwithstanding the foregoing restrictions, in no event will any **Transfer**: (i) void the terms of any license to the **Patents** that the **Permitted Transferee** holds prior to the **Transfer**; or (ii) relieve the **Permitted Transferee** of any outstanding legal obligations relating to the **Patents**.

Seller shall, within thirty (30) days after a **Transfer**, provide **Purchaser** with written notice of such **Transfer**, which notice will contain: (a) the effective date of the **Transfer**, and (b) a description of the transaction through which the **Transfer** occurred.

If the **Permitted Transferee** purchases the **Aercept Business** and not all or substantially all of the operating assets (other than cash) of **Seller**, and **Permitted Transferee** was not an **Affiliate** of **Seller** prior to the **Transfer**, then **Seller License** shall be subject to a lump sum royalty at the time of **Transfer** that is the lesser of \$450,000 or \$150,000 per annum prorated for the remaining lifetime of the **Patents** ("**Transfer Royalty**"). The **Seller** shall cause the **Transfer Royalty** to be paid in full to the **Purchaser** no later than the effective date of the **Transfer**.

4. ADDITIONAL OBLIGATIONS

4.1 Further Cooperation. At the reasonable request of **Purchaser**, **Seller** will execute and deliver such other instruments and do and perform such other acts and things as may be necessary or desirable for effecting completely the consummation of the transactions contemplated hereby. In addition, **Seller** will continue to prosecute, maintain, and defend the **Patents** at its sole expense until the closing.

4.2 Payment of Fees. **Seller** will pay any maintenance fees, annuities, and the like due or payable on the **Patents** from the **Effective Date** until the closing. Within thirty (30) days after the closing, upon **Seller's** request and submission of evidence of payment that **Purchaser** may reasonably require, **Purchaser** will reimburse **Seller** for the amounts paid by **Seller** under this paragraph. Seller will forward all royalty payments received by Seller during the period between effective date until Closing.

4.3 Customer Protection. **Purchaser** and **Seller** hereby acknowledge that customers are currently being harmed by the widespread practice of resellers and various service providers selling them a **Turnkey Solution** and then defaulting on their obligations to support the products over the life of the service agreement as well as defaulting on their payment obligations to their suppliers. In an attempt to address the above problem, **Purchaser** will provide a list in Exhibit B of resellers, dealers, agents, and various service providers (collectively "**entities**") that are the subject of an unresolved claim. **Seller** hereby agrees that it will not sell a **Turnkey Solution** to an **entity** listed in Exhibit B that is not an existing customer of **Seller** as of the **Effective Date**. **Purchaser** will have the right to update Exhibit B from time to time throughout the life of the **Patents**. **Purchaser** may only add an **entity** to the list if the **Purchaser** has notified the **entity** in writing of the unresolved claim. **Purchaser** will remove the **entity** from Exhibit B no later than the earliest of the following: (a) one year after the **entity** is added to the list if by that time the issue has not been resolved and no legal action has been initiated to resolve the issue; and (b) thirty (30) days after the issue has been resolved, such as by a grant of a license under the **Patents** to the **entity**. For the avoidance of doubt, once an **entity** is removed from Exhibit B, **Seller** can sell a **Turnkey Solution** to the **entity**.

5. REPRESENTATIONS AND WARRANTIES

5.1 Of Seller. **Seller** hereby represents and warrants to **Purchaser** as follows that, as of the **Effective Date** and as of the closing:

(a) Authority. **Seller** is a company duly formed, validly existing, and in good standing under the laws of the jurisdiction of its formation. **Seller** has the full power and authority and has obtained or will prior to the closing all third party consents, approvals, and/or other authorizations required to enter into this Agreement and to carry out its obligations hereunder, including, without limitation, the assignment of the **Assigned Patent Rights** to **Purchaser**.

(b) Title and Contest. Except for certain security interests held by Square 1 Bank, which will be released prior to the closing, **Seller** owns all right, title, and interest to the **Assigned Patent Rights**, including, without limitation, all right, title, and interest to sue for infringement of the **Patents**. **Seller** has obtained and properly recorded previously executed assignments for the **Patents** as necessary to fully perfect its rights and title therein in accordance with governing law and regulations in each respective jurisdiction. Except for certain security interests held by Square 1 Bank, the **Assigned Patent Rights** are free and clear of all liens, claims, mortgages, security interests or other encumbrances, and restrictions. There are no actions, suits, investigations, claims, or proceedings threatened in writing, pending, or in progress relating in any way to the **Assigned Patent Rights**, except as detailed in the **Disclosure Letter**. There are no existing contracts, agreements, options, commitments, proposals, bids, offers, or rights with, to, or in any person to acquire any of the Assigned Patent Rights.

(c) Existing Licenses. There is no obligation imposed by a standards-setting organization to license any of the **Patents** on particular terms or conditions. Except as provided in Section 5.1(c) of the **Disclosure Letter**, no licenses under the **Patents** have been granted or retained by **Seller**, any prior owners, or inventors. The sale or transfer of the **Patents** is subject to **Purchaser** honoring all of the terms and conditions in the agreements listed in Section 5.1(c) of the **Disclosure Letter**. After closing, none of **Seller**, any prior owner, or any inventor will retain any rights or interest in the **Assigned Patent Rights** except in the **Seller License** in paragraph 3.3.

(d) Restrictions on Rights. With the exception of the covenant not to sue with iMetrik Solutions, Inc. listed in Section 5.1(d) of the **Disclosure Letter**, **Purchaser** will not be subject to any covenant not to sue or similar restrictions on its enforcement of the **Assigned Patent Rights** as a result of any prior transaction related to the **Assigned Patents**.

(e) Validity and Enforceability. Other than as disclosed in Section 5.1(b) of the **Disclosure Letter**, no final determination has ever been made that the **Patents** are invalid, unpatentable, or unenforceable for any reason in any administrative, arbitration, judicial or other proceeding, and, other than as disclosed in Section 5.1(b), **Seller** does not know of and has not received any notice or information of any kind from any source suggesting that the **Patents** may be invalid, unpatentable, or unenforceable. To the extent “small entity” fees were paid to the United States Patent and Trademark Office for the patents, such reduced fees were then appropriate because the payor qualified to pay “small entity” fees at the time of such payment and specifically had not licensed rights in the patents to an entity that was not a “small entity.”

(f) Conduct. Seller or its agents or representatives have not engaged in any conduct, or omitted to perform any necessary act, the result of which would invalidate the **Patents** or hinder their enforcement, including, without limitation, misrepresenting **Seller’s** patent rights to a standard-setting organization.

(g) Enforcement. Except as provided on Section 5.1(g) of the **Disclosure Letter**, **Seller** has not: (i) put a third party on notice of actual or potential infringement of the Patents, (b) invited any third party to enter into a license under the Patents, nor (c) initiated any enforcement action with respect to the Patents.

(h) Patent Office Proceedings. Except as set forth in Section 5.1(b) of the **Disclosure Letter**, the **Patents** have not been or are not currently involved in any reexamination; reissue, interference proceeding, or any similar proceeding, and no such proceedings are pending or threatened.

(i) Fees. All maintenance fees, annuities, and the like due or payable on the **Patents** have been timely paid. For the avoidance of doubt, **Seller** has no obligation to pay the maintenance fee due August 16, 2011 with respect to U.S. Patent 6,025,774 prior to closing. After closing, responsibility for payment of the maintenance fee due August 16, 2011 with respect to U.S. Patent 6,025,774 rests solely with **Purchaser**.

(j) **Complete Family.** Except as provided on Sections 5.1(b) and 5.1(j) of the **Disclosure Letter**, there are no patents or patent applications (A) to which the **Patents** directly or indirectly claim priority, and/or (B) for which any of the **Patents** directly or indirectly form a basis for priority; (C) that were co-owned applications that incorporate by reference, or are incorporated by reference into, the **Patents**; (D) that are reissues, reexaminations, extensions, continuations, continuations in part, continuing prosecution applications, requests for continuing examinations, divisions, and registrations of any item in any of the foregoing categories (A) through (C); or (D) that are foreign patents, patent applications and counterparts relating to any item in any of the foregoing categories (A) through (C), including, without limitation, certificates of invention, utility models, industrial design protection, design patent protection, and other governmental grants or issuances or not claims in any of the foregoing have been rejected, withdrawn, cancelled, or the like.

5.2 **Of Purchaser.** **Purchaser** hereby represents and warrants to **Seller** as follows that, as of the **Effective Date** and as of the closing:

(a) **Authority.** **Purchaser** is a company duly formed, validly existing, and in good standing under the laws of the jurisdiction of its formation. **Purchaser** has the full power and authority and has obtained or will prior to the closing all third party consents, approvals, and/or other authorizations required to enter into this **Agreement** and to carry out its obligations hereunder, including, without limitation, the acquisition of the **Assigned Patent Rights** by **Purchaser**.

5.3 **Disclaimer.** NEITHER PARTY MAKES ANY OTHER REPRESENTATION OR WARRANTY AND EXPRESSLY DISCLAIMS ALL OTHER REPRESENTATIONS AND WARRANTIES WHETHER EXPRESS, STATUTORY OR IMPLIED, INCLUDING MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, THE SCOPE, VALIDITY, ENFORCEABILITY, SUITABILITY, DURABILITY, CONDITION, AND QUALITY OF THE PATENT RIGHTS, THAT ANY PATENT WILL ISSUE FROM ANY PENDING APPLICATION, THAT PRACTICING THE SUBJECT MATTER OF THE PATENT RIGHTS OR THE MANUFACTURE, USE, SALE, OFFER FOR SALE OR IMPORTATION OF THE PRODUCTS WILL NOT INFRINGE INTELLECTUAL PROPERTY RIGHTS OF ANY THIRD PARTY, OR ANY OTHER CHARACTERISTIC OF THE PATENT RIGHTS.

5.4 **Covenants Not to Sue.**

(a) **Purchaser** and **Seller**, on behalf of themselves and their **Affiliates**, both covenant not to sue each other or their respective **Affiliates** for a period of three (3) years from the **Effective Date** for infringement of any patent (a) having an earliest priority date which is prior to the **Effective Date** of this **Agreement** and (b) owned by the asserting party or its **Affiliates** prior to the **Effective Date** of this **Agreement**. In the event that a claim of patent infringement arises with respect to a patent covered by the covenant not to sue of this section 5.4(a), **Purchaser** and **Seller**, on behalf of themselves and their **Affiliates**, both agree to provide written notice of such claim and the parties agree to directly negotiate the resolution of the claim within ninety (90) days of receipt of notice of the claim. If the parties cannot reach agreement during the ninety (90) days, the parties will seek mediation in Los Angeles, CA with JAMS, The Resolution Experts. If the parties cannot reach agreement through mediation, then the parties will seek binding arbitration of their dispute through JAMS, The Resolution Experts in Los Angeles, CA. The parties will seek mediators and arbitrators experienced with patent matters, if reasonably available. The covenant not to sue in this section, 5.4(a), does not extend to inducement of infringement of the Patents by the Seller.

(b) **Purchaser** covenants not to sue any third party for infringement of the **Patents** where the infringement involves the use of **Seller** supplied **Global Positioning System Products** acquired prior to the **Effective Date** or six (6) months thereafter. **Purchaser** may sue a third party for infringement of the **Patents** involving **Seller** supplied **Global Positioning System Products** acquired from **Seller** more than six (6) months after the **Effective Date**. For the purpose of clarity, the covenant not to sue does not extend to any past or future use of **Global Positioning System Products** acquired from third parties.

5.5 **Hardware Sales and Notice**. Within 30 days of the **Effective Date**, **Seller** will notify those customers for which **Seller** has actual reason to suspect are practicing the patented methods covered in the **Patents** with a letter substantially in the form of Exhibit C. In addition, in the event **Purchaser** discovers and identifies in the future additional existing or new customers of **Seller** which **Purchaser** has actual reason to suspect are practicing the patented methods covered in the **Patents**, **Seller** will notify the identified customers with a letter substantially in the form of Exhibit C. From the period commencing six months after the **Effective Date** and until the **Patents**' expiration, **Seller** will use commercially reasonable efforts to not sell **Global Positioning System Products** to customers when **Seller** has actual reason to suspect such **Global Positioning System Products** will be used to practice the **Patented** methods, unless the customer can demonstrate such use would be covered by a valid license to the **Patents**, or the use of the product does not infringe the **Patents**. For the avoidance of doubt, sales of **Global Positioning System Products** by **Seller**, when such products are used with a **Backend System** provided by **Seller**, is authorized and licensed. Sales of **Global Positioning System Products** by **Seller** for uses non-infringing upon the **Patents**, which includes, but is not limited to fleet tracking and other non-vehicle finance related applications, is authorized.

6. MISCELLANEOUS

6.1 **Limitation of Liability**. NEITHER SELLER'S NOR PURCHASER'S TOTAL LIABILITY UNDER THIS AGREEMENT WILL EXCEED THE PURCHASE PRICE SET FORTH IN PARAGRAPH 2.4. THE PARTIES ACKNOWLEDGE THAT THE LIMITATIONS ON POTENTIAL LIABILITIES SET FORTH IN THIS PARAGRAPH 6.1 WERE AN ESSENTIAL ELEMENT IN SETTING CONSIDERATION UNDER THIS AGREEMENT.

6.2 **Limitation on Consequential Damages**. NEITHER PARTY WILL HAVE ANY OBLIGATION OR LIABILITY (WHETHER IN CONTRACT, WARRANTY, TORT (INCLUDING NEGLIGENCE)) OR OTHERWISE, AND NOTWITHSTANDING ANY FAULT, NEGLIGENCE (WHETHER ACTIVE, PASSIVE OR IMPUTED), REPRESENTATION, STRICT LIABILITY OR PRODUCT LIABILITY, FOR COVER OR FOR ANY INCIDENTAL, INDIRECT OR CONSEQUENTIAL, MULTIPLIED, PUNITIVE, SPECIAL, OR EXEMPLARY DAMAGES OR LOSS OF REVENUE, PROFIT, SAVINGS OR BUSINESS ARISING FROM OR OTHERWISE RELATED TO THIS AGREEMENT, EVEN IF A PARTY OR ITS REPRESENTATIVES HAVE BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. THE PARTIES ACKNOWLEDGE THAT THESE EXCLUSIONS OF POTENTIAL DAMAGES WERE AN ESSENTIAL ELEMENT IN SETTING CONSIDERATION UNDER THIS AGREEMENT.

6.3 **Compliance With Laws**. Notwithstanding anything contained in this **Agreement** to the contrary, the obligations of the parties with respect to the consummation of the transactions contemplated by this **Agreement** shall be subject to all laws, present and future, of any government having jurisdiction over the parties and this transaction, and to orders, regulations, directions or requests of any such government.

6.4 Confidentiality of Terms. The parties hereto will keep the terms and existence of, and any information disclosed to them in accordance with or relating to this **Agreement** and the identities of the parties hereto and their **Affiliates** confidential and will not now or hereafter use or divulge any of this information to any third party except (a) with the prior written consent of the other party; (b) as otherwise may be required by law or legal process, including, without limitation, in confidence to legal and financial advisors in their capacity of advising a party in such matters; (c) during the course of litigation, so long as the disclosure of such terms and conditions is restricted in the same manner as is the confidential information of other litigating parties; (d) in confidence to its legal counsel, accountants, banks and financing sources and their advisors solely in connection with administering or complying with its obligations with respect to this **Agreement**; (e) by **Purchaser**, in order to perfect **Purchaser's** interest in the **Assigned Patent Rights** with any governmental patent office (including, without limitation, recording the **Executed Assignment** in any governmental patent office); (f) by **Seller**, in order to comply with its disclosure requirements under Securities and Exchange Commission regulations, or (g) to enforce **Purchaser's** right, title, and interest in and to the **Assigned Patent Rights**; provided that, in (b) through (d) above, (i) to the extent permitted by law, the disclosing party will use all legitimate and legal means available to minimize the disclosure to third parties, including, without limitation, seeking a confidential treatment request or protective order whenever appropriate or available; and (ii) the disclosing party will provide the other party with at least ten (10) days' prior written notice of such disclosure. Without limiting the foregoing, **Seller** will cause its agents involved in this transaction to abide by the terms of this paragraph, including, without limitation, ensuring that such agents do not disclose or otherwise publicize the existence of this transaction with actual or potential clients in marketing materials, or industry conferences.

6.5 Governing Law; Venue/Jurisdiction. This **Agreement** will be interpreted, construed, and enforced in all respects in accordance with the laws of the State of California, without reference to its choice of law principles to the contrary. Each of the parties irrevocably agrees that any legal action or proceeding arising out of or relating to this Agreement may be brought and determined in any California State court sitting in the County of Ventura, and each of the parties hereby irrevocably submits to the exclusive jurisdiction of the aforesaid courts for itself and with respect to its property, generally and unconditionally, with regard to any such action or proceeding arising out of or relating to this Agreement and the transactions contemplated hereby (and agrees not to commence any action, suit or proceeding relating thereto except in such courts).

6.6 Notices. All required communications under this **Agreement** shall be in writing, (in English or with an English translation), will refer to Purchaser and to this **Agreement** and will be delivered to the address set forth below by (i) personal delivery, or (ii) delivery postage prepaid by an internationally-recognized express courier service:

If to Purchaser

ProconGPS, Inc.
c/o PROCON Inc.
2035 Lakeside Centre Way
Suite 125
Knoxville, TN 37922
Attn: Tim Welch

If to Seller

CalAmp Products, Inc.
1401 N. Rice Avenue
Oxnard, CA 93030

Attn: Rick Vitelle

Notices are deemed given on (a) the date of receipt if delivered personally or by express courier or (b) if delivery is refused, the date of refusal. Notice given in any other manner will be deemed to have been given only if and when received at the address of the person to be notified. Either party may from time to time change its address for notices under this Agreement by giving the other party written notice of such change in accordance with this paragraph.

6.7 Relationship of Parties. The parties hereto are independent contractors. Nothing in this **Agreement** will be construed to create a partnership, joint venture, franchise, fiduciary, employment or agency relationship between the parties. Neither party has any express or implied authority to assume or create any obligations on behalf of the other or to bind the other to any contract, agreement or undertaking with any third party.

6.8 Severability. If any provision of this **Agreement** is found to be invalid or unenforceable, then the remainder of this **Agreement** will have full force and effect, and the invalid provision will be modified, or partially enforced, to the maximum extent permitted to effectuate the original objective.

6.9 Waiver. Failure by either party to enforce any term of this **Agreement** will not be deemed a waiver of future enforcement of that or any other term in this **Agreement** or any other agreement that may be in place between the parties.

6.10 Miscellaneous. This **Agreement**, including its exhibits and the **Disclosure Letter**, constitutes the entire agreement between the parties with respect to the subject matter hereof and merges and supersedes all prior and contemporaneous agreements, understandings, negotiations, and discussions. Neither of the parties will be bound by any conditions, definitions, warranties, understandings, or representations with respect to the subject matter hereof other than as expressly provided herein. The section headings contained in this **Agreement** are for reference purposes only and will not affect in any way the meaning or interpretation of this **Agreement**. No oral explanation or oral information by either party hereto will alter the meaning or interpretation of this **Agreement**. No amendments or modifications will be effective unless in writing signed by authorized representatives of both parties. The terms and conditions of this **Agreement** will prevail notwithstanding any different, conflicting or additional terms and conditions that may appear on any letter, email or other communication or other writing not expressly incorporated into this Agreement. **Exhibit A** (entitled "Assignment of Patent Rights"), and **Exhibit B** (entitled "Hardware Sales and Notice") and the Disclosure Letter are attached hereto and incorporated herein.

6.11 Counterparts; Electronic Signature; Delivery Mechanics. This **Agreement** may be executed in counterparts, each of which will be deemed an original, and all of which together constitute one and the same instrument. Each party will execute and promptly deliver to the other parties a copy of this **Agreement** bearing the original signature. Prior to such delivery, in order to expedite the process of entering into this **Agreement**, the parties acknowledge that a **Transmitted Copy** of this **Agreement** will be deemed an original document.

In witness whereof, intending to be legally bound, the parties have executed this Patent Purchase Agreement as of the ***Effective Date***.

SELLER:

CalAmp Products, Inc.

By: /s/ Richard Vitelle

Name: Richard Vitelle

Title: Treasurer

PURCHASER:

ProconGPS, Inc.

By: /s/ Brian Boling

Name: Brian Boling

Title: CEO

Effective Date: June 27, 2011

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

I, Michael Burdick, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of CalAmp Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

September 29, 2011

Date

/s/ Michael Burdick

Michael Burdick
Chief Executive Officer

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

I, Richard Vitelle, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of CalAmp Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

September 29, 2011
Date

/s/ Richard Vitelle
Richard Vitelle
Chief Financial Officer

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
AND CHIEF FINANCIAL OFFICER PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of CalAmp Corp. (the "Company") on Form 10-Q for the quarter ended August 27, 2011 as filed with the Securities and Exchange Commission (the "Report"), we, Michael Burdick, Chief Executive Officer of the Company, and Richard Vitelle, Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to our knowledge:

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

/s/ Michael Burdick

Michael Burdick
Chief Executive Officer

/s/ Richard Vitelle

Richard Vitelle
Vice President and Chief Financial Officer

September 29, 2011

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.
