

WIRELESS TELECOM GROUP INC
Form 10-Q
November 15, 2010

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 September 30, 2010

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
1-11916

WIRELESS TELECOM GROUP, INC.

(Exact name of registrant as specified in its charter)

New Jersey
(State or Other Jurisdiction
of Incorporation or Organization)
25 Eastmans Road
Parsippany, New Jersey
(Address of Principal Executive Offices)

22-2582295
(I.R.S. Employer
Identification No.)

07054
(Zip Code)

(973) 386-9696

(Registrant's Telephone Number, Including Area Code)

Not Applicable

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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

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

Indicate by check mark 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). (Check one):

Large accelerated filer Accelerated filer Non-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

Number of shares of Common Stock outstanding as of November 12, 2010: 25,658,203

WIRELESS TELECOM GROUP, INC.

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PART 1 FINANCIAL INFORMATION

Item 1 Financial Statements

WIRELESS TELECOM GROUP, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

| | September 30, 2010 | December 31, 2009 |
|--|-----------------------|----------------------|
| | (unaudited) | |
| - ASSETS - | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 11,389,326 | \$ 14,076,382 |
| Accounts receivable - net of allowance for doubtful accounts of \$93,519 and \$155,173 for 2010 and 2009, respectively | 3,960,519 | 3,023,318 |
| Income taxes recoverable | 1,510,018 | 1,910,846 |
| Inventories | 7,625,615 | 6,944,231 |
| Deferred income taxes-current | 354,516 | 464,192 |
| Prepaid expenses and other current assets | 384,102 | 523,642 |
| Assets held for sale | | 6,978,163 |
| TOTAL CURRENT ASSETS | 25,224,096 | 33,920,774 |
| PROPERTY, PLANT AND EQUIPMENT - NET | 4,340,843 | 4,436,339 |
| OTHER ASSETS: | | |
| Goodwill | 1,351,392 | 1,351,392 |
| Deferred income taxes - non-current | 5,209,381 | 4,560,312 |
| Other assets | 958,470 | 863,023 |
| TOTAL OTHER ASSETS | 7,519,243 | 6,774,727 |
| TOTAL ASSETS | \$ 37,084,182 | \$ 45,131,840 |
| - LIABILITIES AND SHAREHOLDERS EQUITY - | | |
| CURRENT LIABILITIES: | | |
| Accounts payable | \$ 764,448 | \$ 904,542 |
| Accrued expenses and other current liabilities | 2,152,947 | 1,930,225 |
| Current portion of note payable - bank | | 375,238 |
| Current portion of mortgage payable | 67,072 | 63,386 |
| Liabilities held for sale | | 4,493,409 |
| TOTAL CURRENT LIABILITIES | 2,984,467 | 7,766,800 |
| LONG TERM LIABILITIES: | | |
| Note payable - bank | | 1,313,333 |
| Mortgage payable | 2,720,485 | 2,771,259 |
| Deferred rent payable | 51,227 | 90,946 |
| TOTAL LONG TERM LIABILITIES | 2,771,712 | 4,175,538 |
| COMMITMENTS AND CONTINGENCIES | | |
| SHAREHOLDERS EQUITY: | | |
| Preferred stock, \$.01 par value, 2,000,000 shares authorized, none issued | | |

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| | | |
|--|----------------------|----------------------|
| Common stock, \$.01 par value, 75,000,000 shares authorized, 28,753,861 shares issued, 25,658,203 shares outstanding | 287,539 | 287,539 |
| Additional paid-in-capital | 37,687,514 | 37,528,841 |
| Retained earnings | 899,764 | 1,985,181 |
| Accumulated other comprehensive income | | 934,755 |
| Treasury stock at cost, 3,095,658 shares | (7,546,814) | (7,546,814) |
| TOTAL SHAREHOLDERS EQUITY | 31,328,003 | 33,189,502 |
| TOTAL LIABILITIES AND SHAREHOLDERS EQUITY | \$ 37,084,182 | \$ 45,131,840 |

See accompanying notes

WIRELESS TELECOM GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

| | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|---|---|--------------|--|---------------|
| | 2010 | 2009 | 2010 | 2009 |
| NET SALES | \$ 5,709,963 | \$ 6,239,869 | \$ 17,927,909 | \$ 16,923,700 |
| COST OF SALES | 3,013,456 | 3,310,717 | 9,472,518 | 9,145,968 |
| GROSS PROFIT | 2,696,507 | 2,929,152 | 8,455,391 | 7,777,732 |
| OPERATING EXPENSES | | | | |
| Research and development | 543,944 | 507,600 | 1,639,011 | 1,561,323 |
| Sales and marketing | 1,179,567 | 1,128,646 | 3,132,055 | 3,272,069 |
| General and administrative | 1,013,266 | 1,355,331 | 3,091,911 | 3,821,772 |
| TOTAL OPERATING EXPENSES | 2,736,777 | 2,991,577 | 7,862,977 | 8,655,164 |
| OPERATING INCOME (LOSS) | (40,270) | (62,425) | 592,414 | (877,432) |
| OTHER (INCOME) EXPENSE | | | | |
| Interest (income) | (7,723) | (10,199) | (14,501) | (42,203) |
| Interest expense | 52,891 | 54,052 | 159,562 | 162,981 |
| Other (income) - net | (132,782) | (169,404) | (237,678) | (235,020) |
| TOTAL OTHER (INCOME) EXPENSE | (87,614) | (125,551) | (92,617) | (114,242) |
| INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAX | 47,344 | 63,126 | 685,031 | (763,190) |
| PROVISION (BENEFIT) FOR INCOME TAXES | 8,441 | 81,525 | 27,595 | (323,168) |
| INCOME (LOSS) FROM CONTINUING OPERATIONS | 38,903 | (18,399) | 657,436 | (440,022) |
| INCOME (LOSS) FROM DISCONTINUED OPERATIONS - NET OF TAXES | | 181,388 | (1,742,853) | 239,633 |
| NET INCOME (LOSS) | \$ 38,903 | \$ 162,989 | \$ (1,085,417) | \$ (200,389) |
| INCOME (LOSS) PER COMMON SHARE: | | | | |
| BASIC AND DILUTED | | | | |
| Continuing operations | \$ 0.00 | (\$ 0.00) | \$ 0.03 | (\$ 0.02) |
| Discontinued operations | \$ 0.00 | \$ 0.01 | (\$ 0.07) | \$ 0.01 |

| | | | | |
|--|----------------|----------------|------------------|------------------|
| NET INCOME (LOSS) PER COMMON SHARE: | \$ 0.00 | \$ 0.01 | (\$ 0.04) | (\$ 0.01) |
|--|----------------|----------------|------------------|------------------|

See accompanying notes

WIRELESS TELECOM GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

| | For the Nine Months Ended September 30, | |
|--|--|----------------------|
| | 2010 | 2009 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net (loss) | \$ (1,085,417) | \$ (200,389) |
| Adjustments to reconcile net (loss) to net cash (used for) provided by operating activities: | | |
| Depreciation and amortization | 498,372 | 682,266 |
| Loss on sale of discontinued operations | 430,565 | |
| Stock compensation expense | 158,673 | 202,091 |
| Deferred rent | (39,719) | (358) |
| Deferred income taxes | (539,393) | (12,865) |
| Provision for losses on accounts receivable | (86,547) | 109,160 |
| Changes in assets and liabilities: | | |
| Accounts receivable | 54,254 | 746,420 |
| Inventory | (1,005,279) | 1,188,582 |
| Prepaid expenses and other assets | 300,847 | 1,798,560 |
| Accounts payable, accrued expenses and other current liabilities | (2,151,440) | (2,068,287) |
| Net cash (used for) provided by operating activities | (3,465,084) | 2,445,180 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Capital expenditures | (299,848) | (230,026) |
| Proceeds from disposition of Willtek assets - net | 2,749,975 | |
| Proceeds from sale of short term securities - net | | 3,979,887 |
| Net cash provided by investing activities | 2,450,127 | 3,749,861 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Payments of mortgage note | (47,088) | (43,670) |
| Payment of bank note | (1,475,149) | (178,920) |
| Net cash (used for) financing activities | (1,522,237) | (222,590) |
| Effect of foreign currency on cash and cash equivalents | (149,862) | 185,295 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (2,687,056) | 6,157,746 |
| Cash and cash equivalents, at beginning of period | 14,076,382 | 6,627,397 |
| CASH AND CASH EQUIVALENTS, AT END OF PERIOD | \$ 11,389,326 | \$ 12,785,143 |
| SUPPLEMENTAL INFORMATION: | | |
| Cash paid during the period for: | | |
| Taxes | \$ 537,332 | \$ 257,850 |
| Interest | \$ 186,120 | \$ 203,881 |

See accompanying notes

WIRELESS TELECOM GROUP, INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES AND POLICIES

The condensed consolidated balance sheet as of September 30, 2010, the condensed consolidated statements of operations for the three and nine-month periods ended September 30, 2010 and 2009 and the condensed consolidated statements of cash flows for the nine-month periods ended September 30, 2010 and 2009 have been prepared by the Company without audit. The condensed consolidated financial statements include the accounts of Wireless Telecom Group, Inc. and its wholly-owned subsidiaries Boonton Electronics Corporation, Microlab/FXR, Willtek Communications GmbH (Willtek), WTG Foreign Sales Corporation and NC Mahwah, Inc., collectively the Company . All significant intercompany transactions and balances have been eliminated in consolidation.

In its 2010 first quarter filing, the Company disclosed that on April 9, 2010 it entered into an asset purchase agreement to sell substantially all of the operating assets and certain liabilities of Willtek and, on May 7, 2010, successfully completed this sale. Therefore, the Company s condensed consolidated balance sheet as of September 30, 2010 no longer includes the assets and liabilities of Willtek. The Company s condensed consolidated balance sheet at December 31, 2009 presents the accounts of Willtek as assets and liabilities held for sale. Willtek s operating activities through the May 7, 2010 sale date are included in the Company s condensed consolidated statement of operations as discontinued operations. The information presented in these notes to the financial statements pertains primarily to the Company s continuing operations.

In the opinion of management, the accompanying condensed consolidated financial statements referred to above contain all necessary adjustments, consisting of normal accruals and recurring entries, which are necessary to present fairly the Company s results for the interim periods being presented.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (US GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities (including inventory valuation, accounts receivable valuation, valuation of deferred tax assets, accrued warranty expense, estimated fair values of stock options and assets held for sale) and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of net revenue and expenses during the reporting period. Actual results could differ from those estimates.

The accounting policies followed by the Company are set forth in Note 1 to the Company s financial statements included in its annual report on Form 10-K for the year ended December 31, 2009. Specific reference is made to that report since certain information and footnote disclosures normally included in financial statements in accordance with US GAAP have been condensed or omitted from this report.

The results of operations for the three and nine-month periods ended September 30, 2010 and 2009 are not necessarily indicative of the results to be expected for the full year.

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and U.S. Treasury investments and accounts receivable.

The Company maintains significant cash investments primarily with two financial institutions, which at times may exceed Federally insured limits. The Company performs periodic evaluations of the relative credit rating of these institutions as part of its investment strategy.

Concentrations of credit risk with respect to accounts receivable are limited due to the Company s large customer base. However, at September 30, 2010, primarily all of the Company s receivables do pertain to the telecommunications industry.

The carrying amounts of cash and cash equivalents, trade receivables, other current assets and accounts payable approximate fair value due to the short-term nature of these instruments. At September 30, 2010, the fair value (estimated based upon expected cash outflows discounted at current market rates) and carrying value of the fixed rate mortgage payable amounted to \$3,219,514 and \$2,787,557, respectively.

WIRELESS TELECOM GROUP, INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES AND POLICIES (Continued)

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents consist of bank and money market accounts.

The Company has evaluated subsequent events and other than events specified in this report, the Company has determined that there were no other subsequent events or transactions requiring recognition or disclosure in the condensed consolidated financial statements.

Certain prior period information has been reclassified to conform to the current period's reporting presentation.

NOTE 2 RECENT ACCOUNTING PRONOUNCEMENTS

In April 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2010-17, Revenue Recognition Milestone Method (Topic 605). ASU 2010-17 provides guidance in applying the milestone method of revenue recognition to research and development arrangements. Under this guidance management may recognize revenue contingent upon the achievement of a milestone in its entirety, in the period in which the milestone is achieved, only if the milestone meets all the criteria within the guidance to be considered substantive. This ASU is effective on a prospective basis for research and development milestones achieved in fiscal years, beginning on or after June 15, 2010. The Company does not expect the adoption of this standard to have a material impact on its condensed consolidated financial statements as the Company has no material research and development arrangements which will be accounted for under the milestone method.

In January 2010, the FASB issued ASU 2010-06, Improving Disclosures about Fair Value Measurements. This update provides amendments to Subtopic 820-10 that requires new disclosure about recurring or nonrecurring fair-value measurements including significant transfers into or out of Level 1 and Level 2 fair-value classifications. It also requires information on purchases, sales, issuances and settlements on a gross basis in the reconciliation of Level 3 fair-value assets and liabilities. These disclosures are required for fiscal years beginning on or after December 15, 2009. The ASU also clarifies existing fair-value measurement disclosure guidance about the level of disaggregation, inputs and valuation techniques, which are required to be implemented in fiscal years beginning on or after December 15, 2010. Since the requirements of this ASU only relate to disclosure, the adoption of this guidance did not have a material impact on the Company's condensed consolidated financial statements.

In October 2009, the FASB issued ASU 2009-14, Certain Revenue Arrangements that Include Software Elements. This update amends Accounting Standards Codification Subtopic 985-605, Software Revenue Recognition, to exclude from its scope tangible products that contain both software and non-software components that function together to deliver a product's essential functionality. The ASU is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. Early adoption is permitted. The Company does not expect the adoption of this standard to have a material impact on its condensed consolidated financial statements.

In October 2009, the FASB issued ASU 2009-13, Revenue Recognition (Topic 605): Multiple Deliverable Revenue Arrangements A Consensus of the FASB Emerging Issues Task Force. This update provides application guidance on whether multiple deliverables exist, how the deliverables should be separated and how the consideration should be allocated to one or more units of accounting. This update establishes a selling price hierarchy for determining the selling price of a deliverable. The selling price used for each deliverable will be based on vendor-specific objective evidence, if available, third-party evidence if vendor-specific evidence is not available, or estimated selling price if neither vendor-specific nor third-party evidence is available. The Company will be required to apply this guidance prospectively for revenue arrangements entered into or materially modified after January 1, 2011; however, earlier application is permitted. The Company is in the process of evaluating the impact of adopting this ASU on its condensed consolidated financial statements.

WIRELESS TELECOM GROUP, INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

NOTE 3 INCOME (LOSS) FROM DISCONTINUED OPERATIONS NET OF TAXES

On April 9, 2010, the Company entered into an asset purchase agreement to sell substantially all of the operating assets and certain liabilities of Willtek and, on May 7, 2010, successfully completed this sale. Although no longer included in its condensed consolidated balance sheets as of September 30, 2010, the table below presents the Willtek assets and liabilities held for sale as of the May 7, 2010 sale date and as of December 31, 2009.

Additionally, Willtek's operating activities through the May 7, 2010 sale date are included in the Company's condensed consolidated statement of operations as discontinued operations. Included in accrued expenses and other current liabilities at September 30, 2010 are the remaining estimated unpaid costs and fees of approximately \$1,000,000 associated with the disposition of Willtek.

Assets and liabilities held for sale as of the May 7, 2010 sale date and at December 31, 2009 consists of the following:

| | May 7, <u>2010</u> | December 31, <u>2009</u> |
|---|-----------------------|--------------------------------|
| <u>Assets held for sale</u> | | |
| Accounts receivable -net | \$ 1,028,443 | \$ 2,037,731 |
| Inventory - net | 968,019 | 1,284,005 |
| Prepaid expenses and other current assets - net | 314,722 | 235,457 |
| Property, plant and equipment - net | | |
| Pension insurance and other long-term assets | 2,670,873 | 3,420,970 |
| | <u>\$ 4,982,057</u> | <u>\$ 6,978,163</u> |
| <u>Liabilities held for sale</u> | | |
| Accounts payable | \$ 1,562,083 | \$ 1,546,794 |
| Accrued expenses | 1,180,434 | 1,332,607 |
| Pension liability | 1,420,673 | 1,268,582 |
| Other long-term liabilities | | 345,426 |
| | <u>\$ 4,163,190</u> | <u>\$ 4,493,409</u> |

As a result of the sale of Willtek, the Company has recorded a loss on sale of discontinued operations of \$3,778,687, which represents the excess of net assets, and the related realization of other comprehensive income, over the net sales price. Of this amount, \$430,565 was recognized during 2010 to reflect a change in the estimate of the carrying value less the cost to dispose Willtek. The loss on sale of discontinued operations has been reflected as a reduction of assets held for sale in the May 7, 2010 column in the table above.

The following table summarizes the components of discontinued operations:

| For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|---|-------------|--|-------------|
| <u>2010</u> | <u>2009</u> | <u>2010</u> | <u>2009</u> |
| | | | |

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| | | | | |
|---|----|-------------------|-------------------|-------------------|
| Net sales | \$ | \$ 6,884,231 | \$ 6,642,152 | \$ 19,065,032 |
| Gross profit | | 3,440,516 | 2,609,331 | 9,778,881 |
| Income (loss) from discontinued operations before taxes | | 181,388 | (1,313,032) | 245,619 |
| Provision (benefit) for income taxes | | | (744) | 5,986 |
| Income (loss) from discontinued operations | | 181,388 | (1,312,288) | 239,633 |
| Gain (loss) on sale of discontinued operations | | | (430,565) | |
| | | <u> </u> | <u> </u> | <u> </u> |
| Net income (loss) from discontinued operations | \$ | \$ 181,388 | \$ (1,742,853) | \$ 239,633 |
| | | <u> </u> | <u> </u> | <u> </u> |

WIRELESS TELECOM GROUP, INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

NOTE 3 INCOME (LOSS) FROM DISCONTINUED OPERATIONS NET OF TAXES (Continued)

Cash flows from discontinued operations for the nine-months ended September 30, 2010 and 2009 are combined with the cash flows from operations within each of the three categories presented. Cash flows from discontinued operations are as follows:

| | For the Nine Months Ended September 30, | |
|--------------------------------------|--|--------------|
| | 2010 | 2009 |
| Cash flows from operating activities | \$ 94,064 | \$ 1,605,372 |
| Cash flows from investing activities | (3,136) | (118,233) |
| Cash flows from financing activities | \$ (415,211) | \$ 681,999 |

For the nine-months ended September 30, 2009, cash flows from discontinued operating activities included significant cash inflows from one customer relating to revenue recorded in the first half of 2009.

NOTE 4 INCOME TAXES

The Company records deferred taxes in accordance with ASC 740, Accounting for Income Taxes. This ASC requires recognition of deferred tax assets and liabilities for temporary differences between tax basis of assets and liabilities and the amounts at which they are carried in the financial statements, based upon the enacted rates in effect for the year in which the differences are expected to reverse. The Company establishes a valuation allowance when necessary to reduce deferred tax assets to the amount expected to be realized. The Company periodically assesses the value of its deferred tax asset and determines the necessity for a valuation allowance. The Company evaluates which portion, if any, will more likely than not be realized by offsetting future taxable income, taking into consideration any limitations that may exist on its use of its net operating loss carry-forwards.

The components of deferred income taxes are as follows:

| | September 30, 2010 | December 31, 2009 |
|--|-----------------------|-------------------------|
| Deferred tax assets: | | |
| Uniform capitalization of inventory costs for tax purposes | \$ 203,349 | \$ 185,322 |
| Allowances for doubtful accounts | 37,408 | 62,069 |
| Accruals | 113,760 | 216,800 |
| Tax effect of goodwill | (90,552) | (13,524) |
| Book depreciation over tax | 9,300 | (7,644) |
| Net operating loss carryforward | 19,046,036 | 18,572,869 |
| | <u>19,319,301</u> | <u>19,015,892</u> |
| Valuation allowance for deferred tax assets | (13,755,404) | (13,991,388) |
| | <u>\$ 5,563,897</u> | <u>\$ 5,024,504</u> |

Under ASC 740, the Company must recognize the tax benefit from an uncertain position only if it is more-likely-than-not the tax position will be sustained on examination by the taxing authority, based on the technical merits of the position. The tax benefits recognized in the financial statements attributable to such position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon the ultimate resolution of the position.

By adoption of ASC 740, the Company has analyzed its filing positions in all of the federal, state and foreign jurisdictions where it is required to file income tax returns. As of September 30, 2010, the Company has identified its federal tax return, its state tax return in New Jersey and its foreign return in Germany as major tax jurisdictions, as defined, in which it is required to file income tax returns. Based on the evaluations noted above, the Company has concluded that there are no significant uncertain tax positions requiring recognition or disclosure in its condensed consolidated financial statements.

WIRELESS TELECOM GROUP, INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

NOTE 4 INCOME TAXES (Continued)

Based on a review of tax positions for all open years and contingencies as set out in Company's notes to the consolidated financial statements, no reserves for uncertain income tax positions have been recorded pursuant to ASC 740 during the periods ended September 30, 2010 and 2009.

NOTE 5 - INCOME (LOSS) PER COMMON SHARE

Basic earnings (loss) per share is calculated by dividing income (loss) available to common shareholders by the weighted average number of shares of common stock outstanding during the period. Diluted earnings (loss) per share are calculated by using the weighted average number of shares of common stock outstanding and, when dilutive, potential shares from stock options and warrants to purchase common stock, using the treasury stock method.

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|------------|------------------------------------|------------|
| | 2010 | 2009 | 2010 | 2009 |
| Weighted average common shares outstanding | 25,658,203 | 25,658,203 | 25,658,203 | 25,658,203 |
| Potentially dilutive stock options | | | 28,957 | |
| Weighted average common shares outstanding, assuming dilution | 25,658,203 | 25,658,203 | 25,687,160 | 25,658,203 |

Common stock options are included in the diluted earnings (loss) per share calculation when the various option exercise prices are greater than their relative average market price during the periods presented in this quarterly report. The weighted average number of options not included in diluted earnings (loss) per share, because the effects are anti-dilutive, was 2,307,667 and 2,805,141 for the three-months ended September 30, 2010 and 2009, respectively. For the nine-months ended September 30, 2010 and 2009, the weighted average number of potentially dilutive options not included in diluted earnings (loss) per share was 2,449,940 and 3,157,744, respectively.

NOTE 6 SHAREHOLDERS EQUITY

Comprehensive income (loss) represents changes in equity during a period, except those resulting from investments by owners and distributions to owners.

The following table reconciles net income (loss) to comprehensive income (loss):

| | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|--|---|------------|--|--------------|
| | 2010 | 2009 | 2010 | 2009 |
| Net income (loss) | \$ 38,903 | \$ 162,989 | \$ (1,085,417) | \$ (200,389) |
| Changes in other comprehensive income (loss) | | 150,303 | (934,755) | 175,464 |
| Comprehensive income (loss) | \$ 38,903 | \$ 313,292 | \$ (2,020,172) | \$ (24,925) |

WIRELESS TELECOM GROUP, INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

NOTE 7 INVENTORIES

Inventory carrying value is net of inventory reserves of \$534,984 and \$810,904 at September 30, 2010 and December 31, 2009, respectively.

Inventories consist of:

| | September 30, 2010 | December 31, 2009 |
|-----------------|--------------------------|-------------------------|
| Raw materials | \$ 4,982,505 | \$ 4,393,992 |
| Work-in-process | 1,167,426 | 1,252,251 |
| Finished goods | 1,475,684 | 1,297,988 |
| | \$ 7,625,615 | \$ 6,944,231 |

The Company scrapped approximately \$157,000 of raw materials inventory during the three-months ended September 30, 2010. These raw materials had been identified in prior periods as obsolete inventory. The Company has adjusted its inventory reserves accordingly.

NOTE 8 - GOODWILL AND LONG-LIVED ASSETS

The Company reviews the goodwill of its subsidiary, Microlab, for impairment whenever events or changes in circumstances indicate that the carrying amount of this asset may not be recoverable, and also reviews Microlab's goodwill annually in accordance with Accounting Standards Codification (ASC) 350, Accounting for Business Combinations, Goodwill, and Other Intangible Assets.

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Determination of recoverability is based on an estimate of undiscounted cash flows resulting from the use of the assets and its eventual disposition. Measurement of an impairment loss for long-lived assets that management expects to hold for sale is based on the fair value of the assets. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell.

NOTE 9 - ACCOUNTING FOR STOCK BASED COMPENSATION

The Company follows the provisions of ASC 718, Share-Based Payment. The Company's results for the three and nine-month periods ended September 30, 2010 include share-based compensation expense totaling \$58,491 and \$158,673, respectively. Results for the three and nine-month periods ended September 30, 2009 include share-based compensation expense of \$23,543 and \$202,091, respectively. Such amounts have been included in the Condensed Consolidated Statements of Operations within operating expenses.

Stock option compensation expense relative to service-based options is the estimated fair value of options granted, amortized on a straight-line basis over the requisite service period. Stock option compensation expense relating to performance-based options is the estimated fair value of options granted, recognized when stated performance targets are achieved, or expected to be achieved.

The fair value of options is estimated at the date of grant using the Black-Scholes option pricing model. For the options granted, the Company took into consideration guidance under ASC 718 and SEC Staff Accounting Bulletin No. 107 (SAB 107) when reviewing and updating assumptions. The expected option life is derived from assumed exercise rates based upon historical exercise patterns and represents the period of time that options granted are expected to be outstanding. The expected volatility is based upon historical volatility of our shares using weekly price observations over an observation

period of three years. The risk-free rate is based on the U.S. treasury yield curve rate in effect at the time of grant for periods similar to the expected option life.

WIRELESS TELECOM GROUP, INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

NOTE 9 - ACCOUNTING FOR STOCK BASED COMPENSATION (Continued)

During the nine-months ended September 30, 2010, the Company entered into a stock option agreement dated as of April 15, 2010, pursuant to which an employee of the Company was awarded options to purchase up to 300,000 shares of the Company's common stock at an exercise price of \$0.96 per share, representing a 5% premium over the average closing bid and asked prices of the Company's common stock for the five trading days previous to the date of grant. The options are performance-based and are subject to the same performance criteria as those granted to the Company's Chief Executive Officer in November of 2009. Additionally, during the nine-months ended September 30, 2010, the Company adjusted its number of outstanding stock options by 301,300 shares due to expiration. During the nine-months ended September 30, 2009, no stock options were exercised or canceled, and 1,528,000 stock options were forfeited, primarily due to the departure of two of the Company's officers. At September 30, 2010, the total number of stock option shares outstanding, which includes both service-based and performance-based options, was 2,307,667.

On June 8, 2010, the Company issued 40,000 shares of restricted common stock to select members of its board of directors. The shares were granted at the June 8th closing market price of \$0.84 per share and will vest on the date of the Company's next annual shareholders meeting, a vesting period of approximately one year. The total compensation expense to be recognized over the vesting period will be \$33,600 of which \$8,400 has been realized during the three-months ended September 30, 2010. This realized amount is included in the share-based compensation expense disclosed above for the periods ended September 30, 2010.

The following table represents our service-based stock options granted, exercised, forfeited and canceled during the first nine months of 2010:

| | Number of Shares | Weighted Average Exercise Price per share | Weighted Average Remaining Contractual Term | Aggregate Intrinsic Value |
|-----------------------------------|---------------------|---|---|---------------------------------|
| Service-based Stock Options | | | | |
| Outstanding at January 1, 2010 | 1,588,967 | \$ 2.54 | | |
| Granted | | | | |
| Exercised | | | | |
| Forfeited/Expired | (301,300) | | | |
| Canceled | | | | |
| Outstanding at September 30, 2010 | 1,287,667 | \$ 2.57 | 3.5 | |
| Exercisable at September 30, 2010 | 1,226,917 | \$ 2.54 | 2.8 | |

The following table represents our performance-based stock options granted, exercised, forfeited and canceled during the first nine months of 2010:

| | Number of Shares | Weighted Average Exercise Price per share | Weighted Average Remaining Contractual Term | Aggregate Intrinsic Value |
|---------------------------------|---------------------|---|---|---------------------------------|
| Performance-based Stock Options | | | | |
| Outstanding at January 1, 2010 | 720,000 | \$ 0.97 | | |
| Granted | 300,000 | \$ 0.96 | | |

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Exercised

Forfeited/Expired

Canceled

Outstanding at September 30, 2010

1,020,000

\$

0.97

8.7

Exercisable at September 30, 2010

WIRELESS TELECOM GROUP, INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

NOTE 9 - ACCOUNTING FOR STOCK BASED COMPENSATION (Continued)

As of September 30, 2010, the unearned compensation related to Company granted service-based incentive stock options is \$102,095 which will continue to be amortized through the end of 2011. The fair value, and unamortized amount, of performance-based options granted by the Company as of September 30, 2010 is \$640,104. This unearned compensation will not be recognized until stated performance conditions are achieved.

As of September 30, 2010, the unearned compensation related to Company granted restricted stock is \$25,200 which will continue to be amortized over the following nine months.

NOTE 10 SEGMENT INFORMATION: REGIONAL SALES

The Company, in accordance with ASC 280, Disclosures about Segments of an Enterprise and Related Information, has disclosed the following segment information:

| Revenues by region | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|------------------------------------|---|---------------------|--|----------------------|
| | 2010 | 2009 | 2010 | 2009 |
| Americas | \$ 3,975,582 | \$ 4,650,226 | \$ 12,663,493 | \$ 11,706,900 |
| Europe, Middle East, Africa (EMEA) | 1,180,818 | 1,252,949 | 3,644,653 | 3,833,231 |
| Asia Pacific (APAC) | 553,563 | 336,694 | 1,619,763 | 1,383,569 |
| | \$ 5,709,963 | \$ 6,239,869 | \$ 17,927,909 | \$ 16,923,700 |

Net sales are attributable to a geographic area based on the destination of the product shipment. The majority of shipments in the Americas are to customers located in the United States. For the nine-months ended September 30, 2010 and 2009, sales in the United States amounted to \$11,923,138 and \$11,008,744, respectively. For the three-months ended September 30, 2010 and 2009, sales in the United States amounted to \$3,797,889 and \$4,435,727, respectively. Shipments to the other regions, as presented in the table above, were not significantly concentrated in one country.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

Following an investigation by the New Jersey Department of Environmental Protection (NJDEP) in 1982, of the waste disposal practices at a certain site formerly leased by Boonton, the Company put a ground water management plan into effect as approved by the NJDEP. Costs associated with this site are charged directly to income as incurred. The owner of this site has notified the Company that if the NJDEP investigation proves to have interfered with a sale of the property, the owner may seek to hold the Company liable for any loss it suffers as a result. However, corporate counsel has informed management that, in their opinion, the owner would not prevail in any lawsuit filed due to the imposition by law of the statute of limitations. Management continues to be encouraged by recent test results which support improvements in ground water conditions over time.

In September 2010, the Company entered into a software license and support agreement with an accounting and business software supplier as part of an investment to upgrade the Company's business and systems infrastructure. The Company believes this is a critical business need that will ultimately provide management with the tools necessary to more efficiently manage business activities and accelerate growth. The costs associated with the systems migration are expected not to exceed \$350,000.

WIRELESS TELECOM GROUP, INC.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

NOTE 11 - COMMITMENTS AND CONTINGENCIES (Continued)

In September 2009, the Company secured a line of credit with its investment bank. The credit facility provides borrowing availability of up to 100% of the Company's money market account balance and 99% of the Company's short-term investment securities (U.S. Treasury bills) and, under the terms and conditions of the loan agreement, is fully secured by said money fund account and short-term investment holdings. Advances under the facility will bear interest at a variable rate equal to the London InterBank Offered Rate (LIBOR) in effect at time of borrowing. Additionally, under the terms and conditions of the loan agreement, there is no annual fee and any amount outstanding under the loan facility may be paid at any time in whole or in part without penalty. As of September 30, 2010, the Company had no borrowings outstanding under the facility and approximately \$6,000,000 of borrowing availability. The Company has no current plans to borrow from this credit facility as it believes its present cash balances will adequately meet near-term working capital requirements.

Proprietary information and know-how are important to the Company's commercial success. There can be no assurance that others will not either develop independently the same or similar information or obtain and use proprietary information of the Company. Certain key employees have signed confidentiality and non-compete agreements regarding the Company's proprietary information.

The Company believes that its products do not infringe the proprietary rights of third parties. There can be no assurance, however, that third parties will not assert infringement claims in the future.

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

INTRODUCTION

Wireless Telecom Group, Inc., and its operating subsidiaries, (collectively, the Company), develop, manufacture and market a wide variety of electronic noise sources, electronic testing and measuring instruments including power meters, voltmeters and modulation meters and high-power passive microwave components for wireless products. The Company's products have historically been primarily used to test the performance and capability of cellular/PCS and satellite communication systems and to measure the power of RF and microwave systems. Other applications include radio, radar, wireless local area network (WLAN) and digital television.

As was disclosed by the Company in its first quarter filing, on April 9, 2010, the Company entered into an asset purchase agreement to sell substantially all of the operating assets and certain liabilities of Willtek and, on May 7, 2010, successfully completed this sale. Therefore, the Company's condensed consolidated balance sheet as of September 30, 2010 no longer includes these assets and liabilities. The Company's condensed consolidated balance sheet at December 31, 2009 presents Willtek's assets and liabilities to be sold as assets and liabilities held for sale. Willtek's operating activities through the May 7, 2010 sale date are included in the Company's condensed consolidated statement of operations as discontinued operations.

As a result of the sale of Willtek, the Company has reflected its foreign business activities as assets and liabilities held for sale and discontinued operations in its 2010 and 2009 condensed consolidated financial statements disclosed in Item 1. Further to this disclosure, management's discussion and analysis pertains primarily to the Company's continuing operations.

The financial information presented herein includes:

(i) Condensed Consolidated Balance Sheets as of September 30, 2010 (unaudited) and as of December 31, 2009 (ii) Condensed Consolidated Statements of Operations for the three and nine-month periods ended September 30, 2010 (unaudited) and 2009 (unaudited) and (iii) Condensed Consolidated Statements of Cash Flows for the nine-month periods ended September 30, 2010 (unaudited) and 2009 (unaudited).

FORWARD LOOKING STATEMENTS

The statements contained in this Quarterly Report on Form 10-Q that are not historical facts, including, without limitation, the statements under Management's Discussion and Analysis of Financial Condition and Results of Operations, are forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. Such forward-looking statements may be identified by, among other things, the use of forward-looking terminology such as believes, expects, intends, plans, may, will, should, anticipates or continues or the negative thereof or other variations thereon or comparable terminology, or by discussions of strategy that involve risks and uncertainties. These statements are based on the Company's current expectations of future events and are subject to a number of risks and uncertainties that may cause the Company's actual results to differ materially from those described in the forward-looking statements. These risks and uncertainties include, but are not limited to, product demand and development of competitive technologies in our market sector, the impact of competitive products and pricing, the loss of any significant customers, the effects of adoption of newly announced accounting standards, the effects of economic conditions and trade, legal and other economic risks, among others. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or projected. These risks and uncertainties are disclosed from time to time in the Company's filings with the Securities and Exchange Commission, the Company's press releases and in oral statements made by or with the approval of authorized personnel. The Company assumes no obligation to update any forward-looking statements as a result of new information or future events or developments.

**ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Continued)**

CRITICAL ACCOUNTING POLICIES

Management's discussion and analysis of the financial condition and results of operations are based upon the Company's condensed 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 the Company to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses for each period. The following represents a summary of the Company's critical accounting policies, defined as those policies that the Company believes are: (a) the most important to the portrayal of its financial condition and results of operations, and (b) that require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effects of matters that are inherently uncertain.

Share-Based Compensation

The Company follows the provisions of Accounting Standards Codification (ASC) 718, "Share-Based Payment". The fair value of options at the date of grant was estimated using the Black-Scholes option pricing model. For the performance-based options granted, the Company takes into consideration guidance under ASC 718 and SEC Staff Accounting Bulletin No. 107 (SAB 107) when reviewing and updating assumptions. The expected option life is derived from assumed exercise rates based upon historical exercise patterns and represents the period of time that options granted are expected to be outstanding. The expected volatility is based upon historical volatility of our shares using weekly price observations over an observation period of three years. The risk-free rate is based on the U.S. Treasury yield curve rate in effect at the time of grant for periods similar to the expected option life. The estimated forfeiture rate included in the option valuation was zero.

Revenue Recognition

Revenue from product shipments, including shipping and handling fees, is recognized once delivery has occurred provided that persuasive evidence of an arrangement exists, the price is fixed or determinable, and collectibility is reasonably assured. Delivery is considered to have occurred when title and risk of loss have transferred to the customer. Sales to international distributors are recognized in the same manner. If title does not pass until the product reaches the customer's delivery site, then recognition of revenue is deferred until that time. There are no formal sales incentives offered to any of the Company's customers. Volume discounts may be offered from time to time to customers purchasing large quantities on a per transaction basis. There are no special post shipment obligations or acceptance provisions that exist with any sales arrangements.

Valuation of Inventory

Raw material inventories are stated at the lower of cost (first-in, first-out method) or market. Finished goods and work-in-process are valued at average cost of production, which includes material, labor and manufacturing expenses.

Comprehensive income (loss)/Foreign currency

Assets and liabilities of the Company's foreign subsidiaries are translated at period-end exchange rates, while income and expenses are translated at average rates for the period. Translation gains and losses are reported as a component of accumulated other comprehensive income (loss) in accordance with ASC 220, "Comprehensive Income".

Allowances for Doubtful Accounts

The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. A key consideration in estimating the allowance for doubtful accounts has been, and will continue to be, our customer's payment history and aging of its accounts receivable balance. If the financial condition of any of its customers were to decline, additional allowances might be required.

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Continued)

Income Taxes

The Company records deferred taxes in accordance with ASC 740, *Accounting for Income Taxes*. This ASC requires recognition of deferred tax assets and liabilities for temporary differences between tax basis of assets and liabilities and the amounts at which they are carried in the financial statements, based upon the enacted rates in effect for the year in which the differences are expected to reverse. The Company establishes a valuation allowance when necessary to reduce deferred tax assets to the amount expected to be realized. The Company periodically assesses the value of its deferred tax asset, a majority of which has been generated by a history of net operating losses and determines the necessity for a valuation allowance. The Company evaluates which portion, if any, will more likely than not be realized by offsetting future taxable income, taking into consideration any limitations that may exist on its use of its net operating loss carry-forwards.

Uncertain Tax Positions

Under ASC 740, the Company must recognize the tax benefit from an uncertain position only if it is more-likely-than-not the tax position will be sustained on examination by the taxing authority, based on the technical merits of the position. The tax benefits recognized in the financial statements attributable to such position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon the ultimate resolution of the position.

By adoption of ASC 740, the Company has analyzed its filing positions in all of the federal, state and foreign jurisdictions where it is required to file income tax returns. As of September 30, 2010 and December 31, 2009, the Company has identified its federal tax return, its state tax return in New Jersey and its foreign return in Germany as major tax jurisdictions, as defined, in which it is required to file income tax returns. Based on the evaluations noted above, the Company has concluded that there are no significant uncertain tax positions requiring recognition or disclosure in its consolidated financial statements.

Based on a review of tax positions for all open years and contingencies as set out in Company's notes to the consolidated financial statements, no reserves for uncertain income tax positions have been recorded pursuant to ASC 740 during the periods ended September 30, 2010 and 2009.

RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read in conjunction with our interim condensed consolidated financial statements and the notes to those statements included in Part I, Item I of this Quarterly Report on Form 10-Q and in conjunction with the consolidated financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2009.

For the nine-months ended September 30, 2010 as compared to the corresponding period of the previous year, net sales increased to approximately \$17,928,000 from approximately \$16,924,000, an increase of approximately \$1,004,000 or 5.9%. For the three-months ended September 30, 2010 as compared to the corresponding period of the previous year, net sales decreased to approximately \$5,710,000 from approximately \$6,240,000, a decrease of approximately \$530,000 or 8.5%. The overall nine-month increase is primarily due to strengthening demand for the Company's domestic subsidiaries products and services. The decrease in net sales for the three-month period ended September 30, 2010 compared to the corresponding period of the previous year is primarily due to the unfavorable timing of shipments as orders were received late in the quarter and consequently not recognizable as revenue until shipped. The overall increasing demand for the Company's existing products, in conjunction with the timing of orders received during the most recent quarter ended, has contributed to an improvement in the Company's reportable backlog.

Gross profit on net sales for the nine-months ended September 30, 2010 was approximately \$8,455,000 or 47.2% as compared to approximately \$7,778,000 or 46.0% of net sales for the nine-months ended September 30, 2009. Gross profit on net sales for the three-months ended September 30, 2010 was approximately \$2,697,000 or 47.2% as compared to approximately \$2,929,000 or 46.9% of net sales for the three-months ended September 30, 2009. Gross profit margins are higher for the nine-months ended September 30, 2010 as compared to the same period of the previous year primarily due to increased revenue volume and favorable product mix. For the three-months ended September 30, 2010, although sales volume is lower, gross margins are slightly higher as compared to the same period in 2009 due to favorable product mix.

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Continued)

The Company's products consist of several models with varying degrees of capabilities which can be customized to meet particular customer requirements. They may be incorporated directly into the electronic equipment concerned or may be stand alone components or devices that are connected to, or used in conjunction with, such equipment operating from an external site, in the factory or in the field. Prices of products range from approximately \$100 to \$100,000 per unit, with most sales occurring between approximately \$2,000 and \$35,000 per unit. The Company can experience variations in gross profit based upon the mix of these products sold, as well as, variations due to revenue volume and economies of scale. Manufacturing labor and overhead costs continue to remain relatively stable period over period. The Company continues to carefully monitor costs associated with material acquisition, manufacturing and production.

Operating expenses for the nine-months ended September 30, 2010 were approximately \$7,863,000 or 44% of net sales as compared to approximately \$8,655,000 or 51% of net sales for the nine-months ended September 30, 2009. Operating expenses for the three-months ended September 30, 2010 were approximately \$2,737,000 or 48% as compared to approximately \$2,992,000 or 48% of net sales for the three-months ended September 30, 2009. Operating expenses are lower for the three and nine-months ended September 30, 2010 primarily due to decreases in general and administrative expenses. The decreases are attributable to lower administrative salaries and stock option expense.

Interest income decreased by approximately \$2,000 and approximately \$27,000 for the three and nine-months ended September 30, 2010, respectively, as compared to the corresponding periods of the previous year. These decreases were primarily due to the decline in interest rates in the Company's interest bearing accounts. In reaction to uncertain financial market conditions, the Company has reallocated substantially all of its cash investments to more secure money market funds. Other income decreased by approximately \$36,000 for the three-months ended September 30, 2010. For the nine-months ended September 30, 2010, other income increased approximately \$3,000. The fluctuations in other income and expense are primarily due to foreign currency gains and losses realized during the periods reported. The Company can experience these fluctuations depending on the timing and percentage of net sales recorded in foreign currencies compared to overall reported net sales. Additionally, during the quarter ended September 30, 2010, the Company reversed an accrual of approximately \$100,000 relating to the potential exposure on environmental contamination in a site formerly leased by Boonton. The Company has been testing the ground water in this site since 1982 in accordance with state regulations. Management continues to be encouraged by recent test results which support improvements in ground water conditions over time and therefore believes that the reserve is no longer necessary.

The income tax expense for the periods ended September 30, 2010 includes: (1) an adjustment to deferred taxes based upon estimated realizable amounts of the utilization of operating loss carryforwards, (2) an adjustment to reduce the carrying amount of the tax receivable to its estimated realizable value and (3) state income tax expense. The income tax benefit for the comparative periods in 2009 result from an adjustment to increase the carrying amount of the tax receivable to its estimated realizable value, partially offset by state income tax expense. In the fourth quarter of 2009, the Company recorded a net deferred tax benefit of approximately \$5,000,000 resulting from the disposition of Willtek. This tax benefit is expected to be realized in future periods as taxable income in those periods will be offset by net operating loss carryforwards. Management has provided a valuation allowance in the deferred tax asset resulting from these net operating loss carryforwards based upon the expected benefit to be realized from the future utilization of these carryforward losses. In evaluating the recoverability of the deferred tax asset, management projects actual taxable income over the next five years. Accordingly, the recorded amount of the deferred tax asset is subject to judgment by management and could differ from the actual benefit.

For the nine-months ended September 30, 2010, the Company realized net income from continuing operations of approximately \$657,000 or \$0.03 per share on a diluted basis, as compared to a net loss of approximately \$440,000 or \$0.02 per share on a diluted basis for the nine-months ended September 30, 2009, an increase of approximately \$1,097,000. Net income from continuing operations was approximately \$39,000 or \$0.00 per share on a diluted basis for the quarter ended September 30, 2010 as compared to a net loss from continuing operations of approximately \$18,000 or \$0.00 per share on a diluted basis for the quarter ended September 30, 2009, an increase of approximately \$57,000. These increases were primarily due to the analysis mentioned above.

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Continued)

The results from continuing operations for all periods presented include certain general and administrative expenses which are allocated amongst the Company's individual business units. Due to the presentation of Willtek as a discontinued operation, these expenses were removed from Willtek and re-allocated back to the Company's remaining continuing operations. The Company is closely monitoring its operations spending in order to effectively scale these expenses to match current operating levels. Additionally, for the three and nine-months ended September 30, 2009, included in the results from discontinued operations are significant non-recurring sales that make the comparison to 2010 unfavorable.

Net loss from discontinued operations was approximately \$1,743,000 or \$0.07 per share on a diluted basis for the nine-months ended September 30, 2010 as compared to net income from discontinued operations of approximately \$240,000 or \$0.01 per share on a diluted basis for the nine-months ended September 30, 2009, a decrease of approximately \$1,983,000. The loss for the nine-months ended September 30, 2010 was primarily due to an approximate adjustment of \$431,000 to the loss recognized on the sale of Willtek and approximately \$1,312,000 in operating losses in Willtek through the May 7, 2010 sale date. Net income from discontinued operations for the nine-months ended September 30, 2009 was due to operating income in Willtek, primarily derived from significant revenue relating to one customer. For the three-months ended September 30, 2010, net results from discontinued operations was \$0 or \$0.00 per share on a diluted basis as compared to net income of approximately \$181,000 or \$0.01 per share on a diluted basis for the three-months ended September 30, 2009, a decrease of approximately \$181,000.

For the nine-months ended September 30, 2010, the Company incurred a net loss of approximately \$1,085,000 or \$0.04 per share on a diluted basis, compared to a net loss of approximately \$200,000 or \$0.01 per share on a diluted basis for the nine-months ended September 30, 2009, a loss increase of approximately \$885,000. Net income was approximately \$39,000 or \$0.00 per share on a diluted basis for the quarter ended September 30, 2010 as compared to net income of approximately \$163,000 or \$0.01 per share on a diluted basis for the quarter ended September 30, 2009, a decrease of approximately \$124,000. The net income and loss fluctuation was primarily due to the analysis mentioned above.

LIQUIDITY AND CAPITAL RESOURCES:

The Company's working capital has decreased by approximately \$3,914,000 to approximately \$22,240,000 at September 30, 2010, from approximately \$26,154,000 at December 31, 2009. The decrease in working capital is primarily due to the sale of Willtek's net assets and the payment in full of a bank note in 2010. At September 30, 2010 the Company had a current ratio of 8.5 to 1, and a ratio of debt to tangible net worth of .2 to 1. At December 31, 2009, the Company had a current ratio of 4.4 to 1, and ratio of debt to tangible net worth of .4 to 1.

The Company had a cash and cash equivalents balance of approximately \$11,389,000 at September 30, 2010, compared to approximately \$14,076,000 at December 31, 2009. The Company believes its current level of cash and cash equivalents is sufficient enough to fund the current operating, investing and financing activities. The approximately \$1,500,000 Federal income tax refund due from the Internal Revenue Service, which is recorded as income taxes recoverable on the Company's condensed consolidated balance sheets as of September 30, 2010, was received in October 2010.

The Company expects to realize tax benefits in future periods due to the available net operating loss carryforwards resulting from the disposition of Willtek in 2009. Accordingly, future taxable income is expected to be offset by the utilization of operating loss carryforwards and as a result, will increase the Company's liquidity as cash needed to pay Federal income taxes will be substantially reduced.

The Company used cash for operating activities, including discontinued operations, of approximately \$3,465,000 for the nine-month period ending September 30, 2010. The primary use of this cash was due to a loss from operations as well as a decrease in accounts payable, accrued expenses and other current liabilities, an increase in inventory, a decrease in prepaid expenses and other assets, and a decrease in accounts receivable.

The Company has historically been able to turn over its accounts receivable approximately every two months. This average collection period has been sufficient to provide the working capital and liquidity necessary to operate the Company.

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Continued)

The Company realized cash from operating activities, including discontinued operations, of approximately \$2,445,000 for the nine-month period ending September 30, 2009. The primary source of this cash was from a decrease in prepaid expenses and other assets, a decrease in inventory and a decrease in accounts receivable, partially off-set by a decrease in accounts payable, accrued expenses and other current liabilities.

Net cash provided by investing activities for the nine-months ended September 30, 2010 was approximately \$2,450,000. The source of these funds was from proceeds relating to the disposition of Willtek, off-set by capital expenditures. For the nine-months ended September 30, 2009, net cash provided by investing activities was approximately \$3,750,000. The primary source of these funds was from the sale of short-term securities, off-set by capital expenditures.

Cash used for financing activities for the nine-months ended September 30, 2010 and 2009 was approximately \$1,522,000 and \$223,000, respectively. The use of these funds for the nine-months ended September 30, 2010 was for the re-payment of a bank loan and periodic payments of a mortgage note. For the nine-months ended September 30, 2009, the use of these funds was for the periodic payments of a bank loan and mortgage note.

In 2010, the Company satisfied the entire outstanding principal and interest due on its bank note payable through payment of approximately \$1,475,000. Since this bank note was in principle a Euro denominated loan, the outstanding loan balance was subject to foreign currency fluctuations. The Company benefited from the weakening Euro at time of payment.

Other than contractual obligations incurred in the normal course of business, the Company does not have any off-balance sheet arrangements.

In September 2009, the Company secured a line of credit with its investment bank. The credit facility provides borrowing availability of up to 100% of the Company's money market account balance and 99% of the Company's short-term investment securities (U.S. Treasury bills) and, under the terms and conditions of the loan agreement, is fully secured by said money fund account and short-term investment holdings. Advances under the facility will bear interest at a variable rate equal to the London InterBank Offered Rate (LIBOR) in effect at time of borrowing. Additionally, under the terms and conditions of the loan agreement, there is no annual fee and any amount outstanding under the loan facility may be paid at any time in whole or in part without penalty. As of September 30, 2010, the Company had no borrowings outstanding under the facility and approximately \$6,000,000 of borrowing availability.

The Company believes that its financial resources from working capital are adequate to meet its current needs. However, should current global economic conditions continue to deteriorate, additional working capital funding may be required which may be difficult to obtain due to restrictive credit markets.

Throughout its ownership of Willtek, the Company had been required to fund its foreign operations through cash loans and advances. Due to the successful completion of the sale of Willtek's assets, this funding will no longer be required.

INFLATION AND SEASONALITY

The Company does not anticipate that inflation will significantly impact its business or its results of operations nor does it believe that its business is seasonal.

ITEM 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4T - CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, as of the end of the period covered by this report, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Act of 1934. Our disclosure controls and procedures are designed to provide reasonable assurance that the information required to be included in our Securities and Exchange Commission (SEC) reports is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, relating to Wireless Telecom Group, Inc., including our consolidated subsidiaries, and was made known to them by others within those entities, particularly during the period when this report was being prepared. Based on this evaluation, our principal executive officer and principal financial officer concluded that, as of the period covered by this report, our disclosure controls and procedures are effective at these reasonable assurance levels.

(b) Changes in Internal Controls over Financial Reporting

In connection with the evaluation required by paragraph (d) of Rule 13a-15 under the Exchange Act, there was no change identified in our internal control over financial reporting that occurred during the last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

The Company is not aware of any material legal proceeding against the Company or in which any of their property is subject.

Item 1A. RISK FACTORS

The Company is not aware of any material changes from risk factors as previously disclosed in its Form 10-K for the year ended December 31, 2009.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

Item 3. DEFAULTS UPON SENIOR SECURITIES

None.

Item 4. REMOVED AND RESERVED

Item 5. OTHER INFORMATION

None.

Item 6. EXHIBITS

| <u>Exhibit No.</u> | <u>Description</u> |
|------------------------|--|
| 31.1 | Certification Pursuant to Section 302 of The Sarbanes-Oxley Act of 2002 (Principal Executive Officer) |
| 31.2 | Certification Pursuant to Section 302 of The Sarbanes-Oxley Act of 2002 (Principal Financial Officer) |
| 32.1 | Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of The Sarbanes-Oxley Act of 2002 (Principal Executive Officer) |
| 32.2 | Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of The Sarbanes-Oxley Act of 2002 (Principal Financial Officer) |

SIGNATURES

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.

WIRELESS TELECOM GROUP,
INC.

(Registrant)

Date: November 15, 2010

/S/Paul Genova

Paul Genova
Chief Executive Officer

Date: November 15, 2010

/S/Robert Censullo

Robert Censullo
Acting Chief Financial Officer

EXHIBIT LIST

| <u>Exhibit No.</u> | <u>Description</u> |
|------------------------|--|
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