

WIRELESS TELECOM GROUP INC
Form 10-Q
November 14, 2011

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, 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
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

Edgar Filing: WIRELESS TELECOM GROUP INC - Form 10-Q

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 8, 2011: 24,877,916

WIRELESS TELECOM GROUP, INC.

Table of Contents

	Page(s)
<u>PART I. FINANCIAL INFORMATION</u>	
<u>Item 1 -- Consolidated Financial Statements:</u>	
<u>Condensed Balance Sheets as of September 30, 2011 (unaudited) and December 31, 2010</u>	3
<u>Condensed Statements of Operations for the Three and Nine Months Ended September 30, 2011 (unaudited) and 2010 (unaudited)</u>	4
<u>Condensed Statements of Cash Flows for the Nine Months Ended September 30, 2011 (unaudited) and 2010 (unaudited)</u>	5
<u>Condensed Statement of Shareholders' Equity for the Nine Months Ended September 30, 2011 (unaudited)</u>	6
<u>Notes to Interim Condensed Financial Statements (unaudited)</u>	7
<u>Item 2 -- Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	15
<u>Item 3 -- Quantitative and Qualitative Disclosures About Market Risk</u>	20
<u>Item 4 -- Controls and Procedures</u>	20
<u>PART II. OTHER INFORMATION</u>	
<u>Item 1 -- Legal Proceedings</u>	21
<u>Item 1A -- Risk Factors</u>	21
<u>Item 2 -- Unregistered Sales of Equity Securities and Use of Proceeds</u>	21
<u>Item 3 -- Defaults upon Senior Securities</u>	21
<u>Item 4 -- Removed and Reserved</u>	21
<u>Item 5 -- Other Information</u>	21
<u>Item 6 -- Exhibits</u>	21
<u>Signatures</u>	22
<u>Exhibit Index</u>	23
	2

PART 1 FINANCIAL INFORMATION

Item 1 Financial Statements

WIRELESS TELECOM GROUP, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2011	December 31, 2010
	<u>(unaudited)</u>	
- ASSETS -		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 12,022,968	\$ 13,643,220
Accounts receivable - net of allowance for doubtful accounts of \$85,636 and \$73,819 for 2011 and 2010, respectively	4,583,872	4,303,720
Inventories	8,298,568	6,935,172
Deferred income taxes - current	333,010	457,215
Prepaid expenses and other current assets	144,231	465,798
	<u>25,382,649</u>	<u>25,805,125</u>
TOTAL CURRENT ASSETS		
PROPERTY, PLANT AND EQUIPMENT - NET	<u>4,296,464</u>	<u>4,333,690</u>
OTHER ASSETS:		
Goodwill	1,351,392	1,351,392
Deferred income taxes - non-current	5,920,990	5,236,175
Other assets	896,164	892,433
	<u>8,168,546</u>	<u>7,480,000</u>
TOTAL OTHER ASSETS		
TOTAL ASSETS	<u>\$ 37,847,659</u>	<u>\$ 37,618,815</u>
- LIABILITIES AND SHAREHOLDERS EQUITY -		
CURRENT LIABILITIES:		
Accounts payable	\$ 1,029,530	\$ 743,398
Accrued expenses and other current liabilities	1,116,442	2,360,057
Current portion of mortgage payable	72,322	68,347
	<u>2,218,294</u>	<u>3,171,802</u>
TOTAL CURRENT LIABILITIES		
LONG TERM LIABILITIES:		
Mortgage payable	<u>2,648,163</u>	<u>2,702,912</u>
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS EQUITY:		
Preferred stock, \$.01 par value, 2,000,000 shares authorized, none issued		
Common stock, \$.01 par value, 75,000,000 shares authorized, 28,883,861 and 28,753,861 shares issued, respectively, 24,964,452 and 25,658,203 shares outstanding, respectively	288,839	287,539
Additional paid-in-capital	37,835,310	37,746,005
Retained earnings	2,970,723	1,257,371
Treasury stock at cost, 3,919,409 and 3,095,658 shares, respectively	(8,113,670)	(7,546,814)
	<u>32,981,202</u>	<u>31,744,101</u>
TOTAL SHAREHOLDERS EQUITY		

TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	\$ 37,847,659	\$ 37,618,815
--	----------------------	----------------------

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,	
	2011	2010	2011	2010
NET SALES	\$ 7,064,591	\$ 5,709,963	\$ 19,614,302	\$ 17,927,909
COST OF SALES	3,631,540	3,013,456	10,613,613	9,472,518
GROSS PROFIT	3,433,051	2,696,507	9,000,689	8,455,391
OPERATING EXPENSES				
Research and development	577,725	543,944	1,674,843	1,639,011
Sales and marketing	1,010,756	1,179,567	3,424,413	3,132,055
General and administrative	1,145,685	1,013,266	2,692,876	3,091,911
TOTAL OPERATING EXPENSES	2,734,166	2,736,777	7,792,132	7,862,977
OPERATING INCOME (LOSS)	698,885	(40,270)	1,208,557	592,414
OTHER (INCOME) EXPENSE				
Interest (income)	(153)	(7,723)	(3,730)	(14,501)
Interest expense	51,639	52,891	155,877	159,562
Other (income) - net	(57,497)	(132,782)	(287,620)	(237,678)
TOTAL OTHER (INCOME) EXPENSE	(6,011)	(87,614)	(135,473)	(92,617)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	704,896	47,344	1,344,030	685,031
PROVISION (BENEFIT) FOR INCOME TAXES	(121,742)	8,441	(369,322)	27,595
INCOME FROM CONTINUING OPERATIONS	826,638	38,903	1,713,352	657,436
(LOSS) FROM DISCONTINUED OPERATIONS - NET OF TAXES				(1,742,853)
NET INCOME (LOSS)	\$ 826,638	\$ 38,903	\$ 1,713,352	\$ (1,085,417)
INCOME (LOSS) PER COMMON SHARE:				
BASIC AND DILUTED				

Edgar Filing: WIRELESS TELECOM GROUP INC - Form 10-Q

Continuing operations	\$	0.03	\$	0.00	\$	0.07	\$	0.03
Discontinued operations	\$	0.00	\$	0.00	\$	0.00	\$	(0.07)
		<u> </u>			<u> </u>			<u> </u>
NET INCOME (LOSS) PER COMMON SHARE:	\$	0.03	\$	0.00	\$	0.07	\$	(0.04)
		<u> </u>			<u> </u>			<u> </u>

See accompanying notes

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

	For the Nine Months Ended September 30,	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ 1,713,352	\$ (1,085,417)
Adjustments to reconcile net income (loss) to net cash (used for) operating activities:		
Depreciation and amortization	373,089	498,372
Loss on sale of discontinued operations		430,565
Stock compensation expense	90,605	158,673
Deferred income taxes	(560,610)	(539,393)
Provision for (recovery of) losses on accounts receivable	11,817	(86,547)
Changes in assets and liabilities:		
Accounts receivable	(291,969)	54,254
Inventories	(1,363,396)	(1,005,279)
Prepaid expenses and other assets	317,836	300,847
Accounts payable, accrued expenses and other current liabilities	(957,483)	(2,191,159)
Net cash (used for) operating activities	(666,759)	(3,465,084)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(335,863)	(299,848)
Proceeds from disposition of Willtek assets - net		2,749,975
Net cash provided by (used for) investing activities	(335,863)	2,450,127
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of mortgage note	(50,774)	(47,088)
Payment of bank note		(1,475,149)
Acquisition of treasury stock - 823,751 shares	(566,856)	
Net cash (used for) financing activities	(617,630)	(1,522,237)
Effect of foreign currency on cash and cash equivalents		(149,862)
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,620,252)	(2,687,056)
Cash and cash equivalents, at beginning of period	13,643,220	14,076,382
CASH AND CASH EQUIVALENTS, AT END OF PERIOD	\$ 12,022,968	\$ 11,389,326
SUPPLEMENTAL INFORMATION:		
Cash paid during the period for:		
Taxes	\$ 103,470	\$ 537,332
Interest	\$ 155,877	\$ 186,120

See accompanying notes

WIRELESS TELECOM GROUP, INC.
CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS EQUITY
(unaudited)

	Common Stock	Additional Paid In Capital	Retained Earnings	Treasury Stock	Total Shareholders Equity
Balances at December 31, 2010	\$ 287,539	\$ 37,746,005	\$ 1,257,371	\$ (7,546,814)	\$ 31,744,101
Net income			1,713,352		1,713,352
Shares issued under restricted stock plan	1,300	(1,300)			
Stock compensation expense		90,605			90,605
Repurchase of treasury stock				(566,856)	(566,856)
Balances at September 30, 2011	\$ 288,839	\$ 37,835,310	\$ 2,970,723	\$ (8,113,670)	\$ 32,981,202

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, 2011, the condensed consolidated statements of operations for the three and nine-month periods ended September 30, 2011 and 2010, the condensed consolidated statements of cash flows for the nine-month periods ended September 30, 2011 and 2010 and the condensed consolidated statement of shareholders' equity for the nine-month period ended September 30, 2011 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.

On May 7, 2010, the Company sold substantially all of the assets and liabilities of its foreign subsidiary, Willtek. Accordingly, the operating activities of Willtek for the nine-months ended September 30, 2010 are included in the Company's condensed consolidated statement of operations and condensed consolidated statement of cash flows as discontinued operations (see Note 3).

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 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, 2010. Specific reference is made to that report since certain information and footnote disclosures normally included in financial statements in accordance with accounting principles generally accepted in the United States of America (US GAAP) have been condensed or omitted from this report.

The preparation of financial statements in conformity with 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 results of operations for the three and nine-month periods ended September 30, 2011 and 2010 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 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, 2011, 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, 2011, 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 \$2,828,313 and \$2,720,485, 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 through the date the financial statements were issued and has determined that there were no 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 September 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2011-08, Guidance on Testing Goodwill for Impairment. ASU 2011-08 gives entities testing goodwill for impairment the option of performing a qualitative assessment before calculating the fair value of a reporting unit in Step 1 of the goodwill impairment test. If entities determine, on the basis of qualitative factors, that the fair value of a reporting unit is more likely than not less than the carrying amount, the two-step impairment test would be required. Otherwise, further testing would not be needed. ASU 2011-08 will be effective for fiscal and interim reporting periods within those years beginning after December 15, 2011. The Company does not expect the adoption of this ASU to have a material impact on its condensed consolidated financial statements.

In June 2011, the FASB issued ASU 2011-05, Presentation of Comprehensive Income. This update eliminates the option to present components of other comprehensive income as part of the statement of changes in stockholders' equity and requires all non-owner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. Additionally, ASU 2011-05 requires an entity to present reclassification adjustments on the face of the financial statements from other comprehensive income to net income. This ASU is effective for the Company beginning January 1, 2012. The Company does not expect the adoption of this ASU to have a material impact on its condensed consolidated financial statements.

In May 2011, the FASB issued ASU 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs. This standard amends current fair value measurement and disclosure guidance to include increased transparency around valuation inputs and investment categorization. This ASU is effective for financial periods beginning after December 15, 2011 and is to be applied prospectively. The Company does not expect this guidance to have a material impact on its condensed consolidated financial statements.

In December 2010, the FASB issued ASU 2010-28, When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts (amendments to FASB ASC Topic 350, Intangibles, Goodwill and Other). The objective of this ASU is to address diversity in practice in the application of goodwill impairment testing by entities with reporting units with zero or negative carrying amounts, eliminating an entity's ability to assert that a reporting unit is not required to perform Step 2 because the carrying amount of the reporting unit is zero or negative despite the existence of qualitative factors that indicate the goodwill is more likely than not impaired. This ASU is effective for interim periods after January 1, 2011. The Company's adoption of this ASU did not have a material impact on its condensed consolidated financial statements.

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

NOTE 3 DISCONTINUED OPERATIONS

The operating activities of Willtek for the nine-months ended September 30, 2010 are included in the Company's condensed consolidated statement of operations and condensed consolidated statement of cash flows as discontinued operations (see Note 1). The following table summarizes the components of discontinued operations for the nine-months ended September 30, 2010:

	Nine Months Ended September 30, 2010
Net sales	\$ 6,642,152
Gross profit	2,609,331
(Loss) from discontinued operations before taxes	(1,313,032)
(Benefit) for income taxes	(744)
(Loss) from discontinued operations	(1,312,288)
(Loss) on sale of discontinued operations	(430,565)
Net (loss) from discontinued operations	\$ (1,742,853)

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

	Nine Months Ended September 30, 2010
Cash flows from operating activities	\$ (321,147)
Cash flows from investing activities	\$ (3,136)
Cash flows from financing activities	\$

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, 2011	December 31, 2010
Deferred tax assets:		

Edgar Filing: WIRELESS TELECOM GROUP INC - Form 10-Q

Uniform capitalization of inventory costs for tax purposes	\$ 217,754	\$ 185,024
Inventory reserve	462,064	421,236
Allowances for doubtful accounts	34,254	29,528
Accruals	81,000	242,663
Tax effect of goodwill	(193,256)	(116,228)
Book depreciation over tax	52,040	23,494
Net operating loss carryforward	17,573,152	18,287,923
	<u>18,227,008</u>	<u>19,073,640</u>
Valuation allowance for deferred tax assets	(11,973,008)	(13,380,250)
	<u>\$ 6,254,000</u>	<u>\$ 5,693,390</u>

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

NOTE 4 INCOME TAXES (Continued)

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, 2011, 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.

Based on a review of tax positions for all open years and contingencies as set out in the Company's notes to the condensed consolidated financial statements, no reserves for uncertain income tax positions have been recorded pursuant to ASC 740 during the periods ended September 30, 2011 and 2010.

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,	
	2011	2010	2011	2010
Weighted average common shares outstanding	25,023,031	25,658,203	25,022,352	25,658,203
Potentially dilutive stock options	50,803		143,511	28,957
Weighted average common shares outstanding, assuming dilution	25,073,834	25,658,203	25,165,863	25,687,160

Common stock options are included in the diluted earnings (loss) per share calculation when the various option exercise prices are less 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 2,362,865 and 2,307,667 for the three-months ended September 30, 2011 and 2010, respectively. For the nine-months ended September 30, 2011 and 2010, the weighted average number of potentially dilutive options not included in diluted earnings (loss) per share was 2,336,090 and 2,449,940, respectively.

NOTE 6 INVENTORIES

Inventory carrying value is net of inventory reserves of \$561,629 and \$452,310 at September 30, 2011 and December 31, 2010, respectively.

Inventories consist of:

September 30, 2011	December 31, 2010
------------------------------	----------------------

Edgar Filing: WIRELESS TELECOM GROUP INC - Form 10-Q

Raw materials	<u>\$ 5,418,429</u>	<u>\$ 4,632,195</u>
Work-in-process	<u>1,388,804</u>	<u>830,684</u>
Finished goods	<u>1,491,335</u>	<u>1,472,293</u>
	<u>\$ 8,298,568</u>	<u>\$ 6,935,172</u>

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

NOTE 7 - GOODWILL

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. The process of evaluating the potential impairment of goodwill is ongoing, subjective and requires significant judgment and estimates regarding future cash flows and forecasts. Goodwill represents the excess of the cost of an acquisition over fair value of net assets acquired. Testing for the impairment of goodwill involves a two step process. The first step of the impairment test requires the comparing of a reporting unit's fair value to its carrying value. If the carrying value is less than the fair value, no impairment exists and the second step is not performed. If the carrying value is higher than the fair value, there is an indication that impairment may exist and the second step must be performed to compute the amount of the impairment.

In the second step, the impairment is computed by estimating the fair value of all recognized and unrecognized assets and liabilities of the reporting unit and comparing the implied fair value of reporting unit goodwill with the carrying amount of that unit's goodwill. As noted above, goodwill is attributable to one of the Company's reporting units, Microlab.

In the fourth quarter of 2010, management performed their annual impairment test of goodwill which indicated that Microlab's fair value was significantly in excess of its carrying value, therefore, there was no impairment recorded at December 31, 2010.

NOTE 8 - 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, 2011 include share-based compensation expense totaling \$34,301 and \$90,605, respectively. Results for the three and nine-month periods ended September 30, 2010 include share-based compensation expense of \$58,491 and \$158,673, 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 at the date of grant was estimated using the Black-Scholes option pricing model. For all performance-based 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 that approximates the expected life of the options. 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.

The Company did not grant any stock options during the three or nine-months ended September 30, 2011. However, 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 2009.

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

NOTE 8 - ACCOUNTING FOR STOCK BASED COMPENSATION (Continued)

During the nine-months ended September 30, 2011, the Company adjusted its outstanding stock options by 100,000 shares due to expiration. Additionally, during the nine-months ended September 30, 2010, the Company adjusted its outstanding stock options by 301,300 shares due to expiration. At September 30, 2011, the total number of stock option shares outstanding, which includes both service-based and performance-based options, was 2,413,667.

The following table represents our service-based stock options granted, exercised, forfeited and canceled during the first nine months of 2011:

	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, 2011	1,143,667	\$ 2.60		
Granted				
Exercised				
Forfeited				
Canceled/Expired	(70,000)	\$ 2.46		
Outstanding at September 30, 2011	1,073,667	\$ 2.61	3.0	
Exercisable at September 30, 2011	1,073,667	\$ 2.61	3.0	

The following table represents our performance-based stock options granted, exercised, forfeited and canceled during the first nine months of 2011:

	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, 2011	1,370,000	\$ 0.92		
Granted				
Exercised				
Forfeited				
Canceled/Expired	(30,000)	\$ 0.78		
Outstanding at September 30, 2011	1,340,000	\$ 0.92	8.3	
Exercisable at September 30, 2011				

As of September 30, 2011, the unearned compensation related to Company granted service-based incentive stock options is \$13,001 which will continue to be amortized on a straight-line basis through the end of 2011. The fair value, and unamortized amount, of performance-based options granted by the Company as of September 30, 2011 is \$836,959. Unearned compensation relating to performance-based stock options will not be recognized until management considers

the respective performance conditions to be achievable.

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 8, 2010 closing market price of \$0.84 per share and vested on June 14, 2011, the date of the Company's annual shareholders meeting, or a vesting period of approximately one year. The total compensation expense recognized over the vesting period was \$33,600.

On March 22, 2011, the Company awarded 50,000 shares of restricted common stock to its Chief Executive Officer. The shares were granted at the March 22, 2011 closing market price of \$1.08 per share and will fully vest on the one-year anniversary from date of grant. The total compensation expense to be recognized over the vesting period is \$54,000 which will be amortized on a straight-line basis.

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

NOTE 8 - ACCOUNTING FOR STOCK BASED COMPENSATION (Continued)

On June 14, 2011, 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 14, 2011 closing market price of \$0.78 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 is \$31,200 which will be amortized on a straight-line basis.

A summary of the status of the Company's non-vested restricted common stock as of September 30, 2011, and changes during the nine-months ended September 30, 2011 are presented below:

Non-vested Shares	Number of Shares	Weighted Average Grant Date Fair Value
Non-vested at January 1, 2011	40,000	\$ 0.84
Granted	90,000	\$ 0.95
Vested	(40,000)	\$ (0.84)
Non-vested at September 30, 2011	90,000	\$ 0.95

As of September 30, 2011, the unearned compensation related to Company granted restricted stock is \$50,400 which will continue to be amortized through June 30, 2012.

NOTE 9 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,	
	2011	2010	2011	2010
Americas	\$ 5,348,109	\$ 3,975,582	\$ 14,275,394	\$ 12,663,493
Europe, Middle East, Africa (EMEA)	1,020,066	1,180,818	3,679,741	3,644,653
Asia Pacific (APAC)	696,416	553,563	1,659,167	1,619,763
Total Revenues	\$ 7,064,591	\$ 5,709,963	\$ 19,614,302	\$ 17,927,909

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 within the United States. Although shipments to the EMEA region were not significantly concentrated in one country, shipments to the APAC region were largely concentrated in China.

Due to the significant concentration of shipments to both the United States and China, the following table discloses the revenue attributable to these two countries:

Edgar Filing: WIRELESS TELECOM GROUP INC - Form 10-Q

	For the Three Months Ended September 30, 2011		For the Nine Months Ended September 30, 2011	
	2011	2010	2011	2010
United States	\$ 4,831,797	\$ 3,797,889	\$ 13,208,616	\$ 11,923,138
China	334,937	314,611	793,087	842,055

13

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

NOTE 10 - COMMITMENTS AND CONTINGENCIES

The Company typically provides one-year warranties on all of its products covering both parts and labor. The Company, at its option, repairs or replaces products that are defective during the warranty period if the proper preventive maintenance procedures have been followed by its customers. Historically, warranty expense within the Company has been minimal. In 2009, there was a onetime increase of \$240,000 in warranty costs due to the potential rework of specific product shipped in 2008. In the first quarter of 2011, the Company reversed the one-time warranty accrual as this product is no longer being produced at original specifications and management believes there is a remote likelihood that any units will be returned. This amount represented the maximum potential warranty related to these shipments.

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 previously 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 resulting damages. Since May 1983, the owner has been on notice of this problem and has failed to institute any legal proceedings with respect thereto. While this does not bar the owner from instituting a suit, it is the opinion of the Company's legal counsel that it is unlikely that the owner would prevail on any claim.

In 2010, the Company hired a new environmental consultant to evaluate the results of the current remediation plan that has been in effect since 1982. The Company is diligently pursuing efforts to satisfy the requirements of the original plan and receive a new determination from the NJDEP. Overall data from recent testing in the Spring of 2011 indicates the continuation of a decreasing concentration trend at the site. The overall decrease supports the absence of a continuing source impacting ground water. The Company believes that its current practice and plan of groundwater testing will continue until an official notification from NJDEP is obtained and the Company is released from further obligations. While management anticipates that the expenditures in connection with this site will not be substantial in future years, the Company could be subject to significant future liabilities and may incur significant future expenditures if further contaminants from Boonton's testing are identified and the NJDEP requires additional remediation activities. Management is unable to estimate future remediation costs, if any, at this time. The Company will continue to be liable under the plan, in all future years, until such time as the NJDEP releases it from all obligations applicable thereto.

The Company maintains 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, 2011, 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.

On May 5, 2011, the Company entered into a building lease agreement with its current landlord to remain at its principal corporate headquarters in Hanover Township, Parsippany, NJ. The term of the lease agreement is for three years beginning October 1, 2011 and ending September 30, 2014. The minimum monthly rent payment will be approximately \$29,000. The Company will benefit from a reduction in the base rent rate, realizing savings of approximately \$480,000 over the three year term, or approximately \$160,000 when annualized.

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.

On May 7, 2010, the Company sold substantially all of the assets and liabilities of its foreign subsidiary, Willtek. Accordingly, the operating activities of Willtek for the nine-months ended September 30, 2010 are included in the Company's condensed consolidated statement of operations and condensed consolidated statement of cash flows as discontinued operations.

The financial information presented herein includes:

(i) Condensed Consolidated Balance Sheets as of September 30, 2011 (unaudited) and as of December 31, 2010 (ii) Condensed Consolidated Statements of Operations for the three and nine-month periods ended September 30, 2011 (unaudited) and 2010 (unaudited) (iii) Condensed Consolidated Statements of Cash Flows for the nine-month periods ended September 30, 2011 (unaudited) and 2010 (unaudited) and (iv) Condensed Consolidated Statement of Shareholders' Equity for the nine-month period ended September 30, 2011 (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.

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.

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

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 material 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.

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.

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.

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

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, 2011 and December 31, 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.

Based on a review of tax positions for all open years and contingencies as set out in the 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, 2011 and 2010.

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, 2010.

For the nine-months ended September 30, 2011 as compared to the corresponding period of the previous year, net sales increased to approximately \$19,614,000 from approximately \$17,928,000, an increase of approximately \$1,686,000 or 9.4%. For the three-months ended September 30, 2011 as compared to the corresponding period of the previous year, net sales increased to approximately \$7,065,000 from approximately \$5,710,000, an increase of approximately \$1,355,000 or 23.7%. The increases are primarily due a strong demand for the Company's RF and microwave components for distributed antenna systems (DAS) and a general increase in order activity with government agencies and prime defense contractors.

Gross profit on net sales for the nine-months ended September 30, 2011 was approximately \$9,001,000 or 45.9% as compared to approximately \$8,455,000 or 47.2% of net sales for the nine-months ended September 30, 2010. Gross profit on net sales for the three-months ended September 30, 2011 was approximately \$3,433,000 or 48.6% as compared to approximately \$2,697,000 or 47.2% of net sales for the three-months ended September 30, 2010. Although gross profit dollars are higher for the nine-months ended September 30, 2011, as compared to the same period of the previous year, gross profit margins are lower primarily due to product mix, as the Company's microwave component products typically provide lower margins than its test and measurement instruments. Additionally, during the nine-months ended September 30, 2011, the Company carried excess inventory in the amount of approximately \$270,000 relating to a recently discontinued product line. This inventory was sold in its entirety at cost which negatively impacted gross profit. Further, during the nine-months ended September 30, 2011, the Company incurred severance costs relating to the implementation of a cost reduction plan which included several manufacturing employees. The severance amount paid to these manufacturing employees during the first quarter was approximately \$73,000.

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 from an external site, in the factory or in the field. 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 overhead costs remained relatively consistent 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, 2011 were approximately \$7,792,000 or 40% of net sales as compared to approximately \$7,863,000 or 44% of net sales for the nine-months ended September 30, 2010. Operating expenses are lower for the nine-months ended September 30, 2011 primarily due to a decrease in general and administrative expenses, offset by an increase in sales and marketing expenses and a slight increase in research and development expenses. Operating expenses for the three-months ended September 30, 2011 were approximately \$2,734,000 or 39% of net sales as compared to approximately \$2,737,000 or 48% of net sales for the three-months ended September 30, 2010. Operating expenses are slightly lower for the three-months ended September 30, 2011 primarily due to a decrease in sales and marketing expenses, offset by an increase in general and administrative expenses and a slight increase research and development expenses.

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

The decrease in general and administrative expenses for the nine-months ended September 30, 2011 is primarily due to the reversal of a specific warranty accrual in the amount of \$240,000 relating to product shipped in 2008, lower bonus accruals and a decrease in non-cash stock based compensation charges. The Company determined that there is a remote likelihood that any of these specific units will be returned and subsequently reversed the warranty accrual. Sales and marketing expenses were higher for the nine-months ended September 30, 2011 primarily due to severance paid to certain sales employees in connection with the cost reduction plan mentioned above, an increase in travel and related expenses, and higher, order-specific commissions paid to the Company's external, non-employee sales representatives.

Interest income decreased by approximately \$8,000 and approximately \$11,000 for the three and nine-months ended September 30, 2011, respectively, as compared to the corresponding periods of the previous year. Interest income is derived from the Company's cash investment account. Substantially all of the Company's cash is invested in money market funds.

Other income, net of other non-operating expense, decreased by approximately \$75,000 for the three-months ended September 30, 2011 as compared to the corresponding period of the previous year. For the nine-months ended September 30, 2011, other income, net of other non-operating expense, increased by approximately \$50,000 as compared to the corresponding period of the previous year. The increase in other income for the nine-months ended September 30, 2011 is primarily due to a realized gain from the sale of an investment security during the period. Other income was partially offset by non-operating expense incurred during the three and nine-months ended September 30, 2011 for services relating to the ground water testing being performed at the former site of the Company's subsidiary, Boonton. The Company has been testing the ground water in this site since 1982 in accordance with state regulations. The Company has hired a new environmental consultant to evaluate the results of the current remediation plan that has been in effect since 1982. The Company is diligently pursuing efforts to satisfy the requirements of the original plan and receive a new determination from the NJDEP. Management continues to be encouraged by recent test results which support improvements in ground water conditions over time. Overall data from recent testing in the Spring of 2011 indicates the continuation of a decreasing concentration trend at the site. The overall decrease supports the absence of a continuing source impacting ground water. The Company believes that its current practice and plan of groundwater testing will continue until an official notification from NJDEP is obtained and the Company is released from further obligations. While management anticipates that the expenditures in connection with this site will not be substantial in future years, the Company could be subject to significant future liabilities and may incur significant future expenditures if any additional contamination is identified and the NJDEP requires additional remediation.

The income tax benefit for the three and nine-months ended September 30, 2011 includes an adjustment to deferred taxes of approximately \$202,000 and approximately \$561,000, respectively, based upon estimated realizable amounts of the utilization of operating loss carryforwards, offset by state income tax expense. For the three and nine-months ended September 30, 2010, income tax expense includes state income tax expense and an adjustment to federal income taxes recoverable, partially offset by an adjustment to deferred taxes of approximately \$404,000 and approximately \$539,000, respectively. The Company has recorded a net deferred tax benefit for federal tax purposes in connection with its 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 three-months ended September 30, 2011, the Company realized income from continuing operations of approximately \$827,000 or \$0.03 per share on a diluted basis, as compared to income from continuing operations of approximately \$39,000 or \$0.00 per share on a diluted basis for the three-months ended September 30, 2010, an increase of approximately \$788,000. For the nine-months ended September 30, 2011, the Company realized income from continuing operations of approximately \$1,713,000 or \$0.07 per share on a diluted basis, as compared to income from continuing operations of approximately \$657,000 or \$0.03 per share on a diluted basis for the nine-months ended September 30, 2010, an increase of approximately \$1,056,000. These increases were primarily due to the analysis mentioned above.

For the nine-months ended September 30, 2010, net loss from discontinued operations was approximately \$1,743,000 or \$0.07 per share on a diluted basis. The loss for the nine-months ended September 30, 2010 was primarily due to approximately \$431,000 of a loss recognized on the sale of Willtek and approximately \$1,312,000 of operating losses in Willtek for this nine-month period.

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

For the nine-months ended September 30, 2011, the Company realized net income of approximately \$1,713,000 or \$0.07 income per share on a diluted basis, as compared to a net loss of approximately \$1,085,000 or \$0.04 loss per share on a diluted basis for the corresponding period of the previous year, an increase of approximately \$2,798,000. Net income was approximately \$827,000 or \$0.03 income per share on a diluted basis for the three-months ended September 30, 2011 as compared to net income of approximately \$39,000 or \$0.00 income per share on a diluted basis for the three-months ended September 30, 2010, an increase of approximately \$788,000. The net income and loss fluctuation was primarily due to the impact of the divestiture of Willtek and the overall analysis above.

LIQUIDITY AND CAPITAL RESOURCES:

The Company's working capital has increased by approximately \$531,000 to approximately \$23,164,000 at September 30, 2011, from approximately \$22,633,000 at December 31, 2010. At September 30, 2011, the Company had a current ratio of 11.4 to 1, and a ratio of debt to tangible net worth of .2 to 1. At December 31, 2010, the Company had a current ratio of 8.1 to 1, and ratio of debt to tangible net worth of .2 to 1.

The Company had cash and cash equivalents of approximately \$12,023,000 at September 30, 2011, compared to approximately \$13,643,000 at December 31, 2010. In January 2011, the Company paid approximately \$874,000 in disposition fees relating to the sale of Willtek which were recorded as accrued expenses in the Company's consolidated balance sheet at December 31, 2010. Additionally, in 2011, the Company has to date repurchased approximately 824,000 shares of its outstanding common stock at a cost of approximately \$567,000. The Company believes its current level of cash and cash equivalents is sufficient to fund the current operating, investing and financing activities.

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 2010. 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 of approximately \$667,000 for the nine-month period ending September 30, 2011. The primary use of this cash was due to an increase in inventory, a decrease in accounts payable, accrued expenses and other current liabilities, and an increase in accounts receivable, partially offset by a decrease in prepaid expenses and other assets.

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.

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, and an increase in inventory, partially off-set by a decrease in prepaid expenses and other assets, and a decrease in accounts receivable.

Net cash used for investing activities for the nine-months ended September 30, 2011 was approximately \$336,000. The use of these funds was for capital expenditures. 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.

Cash used for financing activities for the nine-months ended September 30, 2011 was approximately \$618,000. The use of these funds was for the acquisition of treasury stock, which was approved by the Company's board of directors in 2010, and the periodic payments of a mortgage note. Cash used for financing activities for the nine-months ended September 30, 2010 was approximately \$1,522,000. The use of these funds was for the re-payment of a bank loan and periodic payments of a mortgage note.

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

The Company maintains 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, 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, 2011, 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 deteriorate, additional working capital funding may be required which may be difficult to obtain due to restrictive credit markets.

OFF-BALANCE SHEET ARRANGEMENTS

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

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 4 - 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.

(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, 2010.

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

Issuer Purchases of Equity Securities

The following table provides the number of shares purchased and average price paid per share during the quarter ended September 30, 2011, the total number of shares purchased as part of our publicly announced repurchase programs, and the maximum number of shares that may yet be purchased under our stock repurchase program at September 30, 2011.

Period	Total number of shares purchased (1)	Average price paid per share (\$)	Total number of shares purchased as part of publicly announced plans or programs (1)	Maximum number of shares that may yet be purchased under the plans or programs (2)
July 1, 2011				
July 31, 2011	41,711	\$0.79	41,711	258,289
August 1, 2011				
August 31, 2011	47,027	\$0.78	47,027	211,262
September 1, 2011				
September 30, 2011	33,596	\$0.83	33,596	1,477,666
Total	122,334	\$0.80	122,334	

(1) These purchases were made pursuant to the stock repurchase program approved by our Board of Directors on January 14, 2008 and announced on January 17, 2008 pursuant to which the Company may repurchase up to 5% of our common stock from time to time on the open market or in private transactions, including structured or accelerated transactions, on terms and conditions to be determined by the Company and its Board of Directors. The stock repurchase authorization does not have an expiration date and can be modified or discontinued at any time.

(2) On September 8, 2011, announced on September 13, 2011, the Company's Board of Directors authorized a modification to the 2008 stock repurchase program. The authorization increased the number of shares allowed to be repurchased under the program by approximately 1,300,000 shares.

Item 3. DEFAULTS UPON SENIOR SECURITIES

None.

Edgar Filing: WIRELESS TELECOM GROUP INC - Form 10-Q

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)
101	The following financial statements from Wireless Telecom Group, Inc. s Quarterly Report on Form 10-Q for the quarter ended September 30, 2011, filed on November 14, 2011, formatted in Extensible Business Reporting Language (XBRL): (i) condensed consolidated balance sheets, (ii) condensed consolidated statements of operations, (iii) condensed consolidated statements of cash flows, (iv) condensed consolidated statement of shareholders equity, and (v) the notes to the condensed consolidated financial statements. (1)

(1) As provided in Rule 406T of Regulation S-T, this information is furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934.

21

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 14, 2011

/S/Paul Genova

Paul Genova
Chief Executive Officer

Date: November 14, 2011

/S/Robert Censullo

Robert Censullo
Acting Chief Financial Officer

EXHIBIT LIST

<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)
101	The following financial statements from Wireless Telecom Group, Inc. s Quarterly Report on Form 10-Q for the quarter ended September 30, 2011, filed on November 14, 2011, formatted in Extensible Business Reporting Language (XBRL): (i) condensed consolidated balance sheets, (ii) condensed consolidated statements of operations, (iii) condensed consolidated statements of cash flows, (iv) condensed consolidated statement of shareholders equity, and (v) the notes to the condensed consolidated financial statements. (1)

(1) As provided in Rule 406T of Regulation S-T, this information is furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934.