

WIRELESS TELECOM GROUP INC
Form 10-Q
November 14, 2012

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, 2012

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 x 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 5, 2012: 24,095,987

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, 2012 (unaudited) and December 31, 2011</u>	3
<u>Condensed Statements of Operations for the Three and Nine Months Ended September 30, 2012 (unaudited) and 2011 (unaudited)</u>	4
<u>Condensed Statements of Cash Flows for the Nine Months Ended September 30, 2012 (unaudited) and 2011 (unaudited)</u>	5
<u>Condensed Statement of Shareholders' Equity for the Nine Months Ended September 30, 2012 (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>	18
<u>Item 3 Quantitative and Qualitative Disclosures About Market Risk</u>	23
<u>Item 4 Controls and Procedures</u>	24
<u>PART II. OTHER INFORMATION</u>	
<u>Item 1 Legal Proceedings</u>	25
<u>Item 1A Risk Factors</u>	25
<u>Item 2 Unregistered Sales of Equity Securities and Use of Proceeds</u>	25
<u>Item 3 Defaults upon Senior Securities</u>	25
<u>Item 4 Mine Safety Disclosures</u>	25
<u>Item 5 Other Information</u>	26
<u>Item 6 Exhibits</u>	26
<u>Signatures</u>	27
<u>Exhibit Index</u>	28

PART 1 FINANCIAL INFORMATION

Item 1 Financial Statements

WIRELESS TELECOM GROUP, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2012	December 31, 2011
	(unaudited)	
- ASSETS -		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 12,463,156	\$ 12,089,782
Accounts receivable - net of allowance for doubtful accounts of \$58,152 and \$122,535 for 2012 and 2011, respectively	4,960,259	4,670,630
Inventories	8,409,764	7,577,051
Deferred income taxes - current	2,074,246	1,761,429
Prepaid expenses and other current assets	476,224	319,690
Assets held for sale - current	3,179,003	
TOTAL CURRENT ASSETS	31,562,652	26,418,582
PROPERTY, PLANT AND EQUIPMENT - NET	1,205,935	1,103,450
OTHER ASSETS:		
Goodwill	1,351,392	1,351,392
Deferred income taxes - non-current	4,908,590	4,684,571
Other assets	920,050	898,265
Assets held for sale - non-current		3,245,700
TOTAL OTHER ASSETS	7,180,032	10,179,928
TOTAL ASSETS	\$ 39,948,619	\$ 37,701,960
- LIABILITIES AND SHAREHOLDERS EQUITY -		
CURRENT LIABILITIES:		
Accounts payable	\$ 929,474	\$ 841,582
Accrued expenses and other current liabilities	1,356,433	944,484
Current portion of mortgage payable	2,648,163	73,697
TOTAL CURRENT LIABILITIES	4,934,070	1,859,763
LONG TERM LIABILITIES:		
Mortgage payable		2,629,215
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, 29,012,557 and 28,883,861 shares issued, respectively, 24,142,941 and 24,494,906 shares outstanding, respectively	290,126	288,839
Additional paid-in-capital	38,136,021	37,918,844
Retained earnings	5,853,138	3,687,019
Treasury stock at cost, 4,869,616 and 4,388,955 shares, respectively	(9,264,736)	(8,681,720)

TOTAL SHAREHOLDERS EQUITY	<u>35,014,549</u>	<u>33,212,982</u>
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	<u>\$ 39,948,619</u>	<u>\$ 37,701,960</u>

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,	
	2012	2011	2012	2011
NET SALES	\$ 7,385,241	\$ 7,064,591	\$ 21,379,106	\$ 19,614,302
COST OF SALES	3,685,575	3,631,540	10,734,537	10,613,613
GROSS PROFIT	3,699,666	3,433,051	10,644,569	9,000,689
OPERATING EXPENSES				
Research and development	671,503	577,725	1,890,772	1,674,843
Sales and marketing	1,115,850	1,010,756	3,348,264	3,424,413
General and administrative	1,139,444	1,145,685	3,472,239	2,692,876
TOTAL OPERATING EXPENSES	2,926,797	2,734,166	8,711,275	7,792,132
OPERATING INCOME	772,869	698,885	1,933,294	1,208,557
OTHER (INCOME) EXPENSE				
Interest expense - net	50,164	51,486	151,611	152,147
Other (income) - net	(3,007)	(57,497)	(135,049)	(287,620)
TOTAL OTHER (INCOME) EXPENSE	47,157	(6,011)	16,562	(135,473)
INCOME BEFORE INCOME TAXES	725,712	704,896	1,916,732	1,344,030
(BENEFIT) FROM INCOME TAXES	(129,094)	(121,742)	(249,387)	(369,322)
NET INCOME	\$ 854,806	\$ 826,638	\$ 2,166,119	\$ 1,713,352
INCOME PER COMMON SHARE:				
BASIC	\$ 0.04	\$ 0.03	\$ 0.09	\$ 0.07
DILUTED	\$ 0.03	\$ 0.03	\$ 0.09	\$ 0.07

See accompanying notes

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

	For the Nine Months Ended September 30,	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 2,166,119	\$ 1,713,352
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Depreciation and amortization	257,993	373,089
Stock compensation expense	218,464	90,605
Deferred income taxes	(536,836)	(560,610)
Allowance for doubtful accounts	(64,383)	11,817
Changes in assets and liabilities:		
Accounts receivable	(225,246)	(291,969)
Inventories	(832,713)	(1,363,396)
Prepaid expenses and other assets	(178,319)	317,836
Accounts payable, accrued expenses and other current liabilities	499,841	(957,483)
Net cash provided by (used for) operating activities	1,304,920	(666,759)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(293,781)	(335,863)
Net cash (used for) investing activities	(293,781)	(335,863)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of mortgage note	(54,749)	(50,774)
Repurchase of treasury stock - 480,661 and 823,751 shares, respectively	(583,016)	(566,856)
Net cash (used for) financing activities	(637,765)	(617,630)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	373,374	(1,620,252)
Cash and cash equivalents, at beginning of period	12,089,782	13,643,220
CASH AND CASH EQUIVALENTS, AT END OF PERIOD	\$ 12,463,156	\$ 12,022,968
SUPPLEMENTAL INFORMATION:		
Cash paid during the period for:		
Taxes	\$ 123,146	\$ 103,470
Interest	\$ 151,902	\$ 155,877

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, 2011	\$ 288,839	\$ 37,918,844	\$ 3,687,019	\$ (8,681,720)	\$ 33,212,982
Net income			2,166,119		2,166,119
Shares issued under equity compensation plan	1,287	(1,287)			
Stock compensation expense		218,464			218,464
Repurchase of treasury stock				(583,016)	(583,016)
Balances at September 30, 2012	\$ 290,126	\$ 38,136,021	\$ 5,853,138	\$ (9,264,736)	\$ 35,014,549

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 sheets as of September 30, 2012, the condensed consolidated statements of operations for the three and nine-month periods ended September 30, 2012 and 2011, the condensed consolidated statements of cash flows for the nine-month periods ended September 30, 2012 and 2011 and the condensed consolidated statement of shareholders' equity for the nine-month period ended September 30, 2012 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 (Boonton), Microlab/FXR (Microlab), WTG Foreign Sales Corporation and NC Mahwah, Inc., collectively the Company . All significant intercompany transactions and balances have been eliminated in consolidation.

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, 2011. 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 and estimated fair values of stock options) and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of net sales 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, 2012 and 2011 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. At September 30, 2012 and December 31, 2011, primarily all of the Company's receivables 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, 2012, 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 \$2,728,234 and \$2,648,163, 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 is effective for fiscal and interim reporting periods within those years beginning after December 15, 2011. The Company's adoption of this ASU did not 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's adoption of this ASU did not 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's adoption of this ASU did not have a material impact on its condensed consolidated financial statements.

NOTE 3 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.

Realization of the Company's deferred tax assets is dependent upon the Company generating sufficient taxable income in future years to obtain benefit from the reversal of net deductible temporary differences and from utilization of net operating losses and tax credit carryforwards. The Company has recorded a valuation allowance due to the uncertainty related to the realization of certain deferred tax assets existing at September 30, 2012. The amount of deferred tax assets considered realizable is subject to adjustment in future periods if estimates of future taxable income are changed. Management believes that it is more likely than not that the Company will realize the benefits of its deferred tax assets, net of valuation allowances as of September 30, 2012.

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

NOTE 3 INCOME TAXES (Continued)

The deferred income tax assets and (liabilities) are summarized as follows:

	September 30, 2012	December 31, 2011
	<u> </u>	<u> </u>
Net deferred tax asset:		
Uniform capitalization of inventory costs for tax purposes	\$ 224,210	\$ 199,782
Reserves on inventories	492,176	480,632
Allowance for doubtful accounts	23,261	49,014
Accruals	153,000	108,000
Tax effect of goodwill	(295,960)	(218,932)
Book depreciation over tax	(29,168)	27,643
Net operating loss carryforward	16,695,804	17,618,136
	<u> </u>	<u> </u>
	17,263,323	18,264,275
Valuation allowance for deferred tax assets	(10,280,487)	(11,818,275)
	<u> </u>	<u> </u>
	\$ 6,982,836	\$ 6,446,000
	<u> </u>	<u> </u>

The Company analyzes its deferred tax asset on a quarterly basis and adjusts the deferred tax asset valuation allowance based on its rolling five-year projection of estimated taxable income.

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.

The Company has analyzed its filing positions in all of the Federal and state jurisdictions where it is required to file income tax returns. As of September 30, 2012 and December 31, 2011, the Company has identified its Federal tax return and its state tax return in New Jersey 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.

NOTE 4 - INCOME PER COMMON SHARE

Basic earnings per share is calculated by dividing income available to common shareholders by the weighted average number of shares of common stock outstanding during the period. Diluted earnings 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,	
	2012	2011	2012	2011
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Weighted average common shares outstanding	24,233,260	25,023,031	24,322,647	25,022,352
Potentially dilutive stock options	406,569	50,803	375,069	143,511

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

Weighted average common shares outstanding, assuming dilution	24,639,829	25,073,834	24,697,716	25,165,863

Common stock options are included in the diluted earnings 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 per share, because the effects are anti-dilutive, was 1,855,430 and 2,362,865 for the three-months ended September 30, 2012 and 2011, respectively. For the nine-months ended September 30, 2012 and 2011, the weighted average number of potentially dilutive options not included in diluted earnings per share was 1,923,938 and 2,336,090, respectively.

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

NOTE 5 INVENTORIES

Inventory carrying value is net of inventory reserves of \$621,995 and \$608,540 at September 30, 2012 and December 31, 2011, respectively.
Inventories consist of:

	September 30, 2012	December 31, 2011
Raw materials	\$ 5,625,683	\$ 5,094,403
Work-in-process	1,183,227	831,129
Finished goods	1,600,854	1,651,519
	\$ 8,409,764	\$ 7,577,051

NOTE 6 - 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 2011, management performed its 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 September 30, 2012 and December 31, 2011.

The Company's recent adoption of ASU 2011-08, Guidance on Testing Goodwill for Impairment, will affect how management approaches the annual testing of Microlab's goodwill going forward. Management will perform a qualitative assessment prior to calculating the fair value of its reporting unit, Step 1 of the goodwill impairment test. If management determines, on the basis of qualitative factors, that the fair value of Microlab is more likely than not greater than its carrying amount, the two-step process described above will not be required.

NOTE 7 - 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, 2012 include share-based compensation expense totaling \$90,899 and \$218,464, respectively. Results for the three and nine-month periods ended September 30, 2011 include share-based compensation expense of \$34,301 and \$90,605, respectively. Such amounts have been included in the Condensed Consolidated Statements of Operations within operating expenses.

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

NOTE 7 - ACCOUNTING FOR STOCK BASED COMPENSATION (Continued)

The following summarizes the components of share-based compensation expense by equity type for the three and nine-months ended September 30 2012 and 2011:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Service-Based Stock Options	\$ 49,233	\$ 13,001	\$ 147,699	\$ 39,005
Performance-Based Stock Options	41,666	21,300	70,765	51,600
Restricted Common Stock				
Total Share-Based Compensation Expense	\$ 90,899	\$ 34,301	\$ 218,464	\$ 90,605

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 any of the three and nine-month periods ended September 30, 2012 or 2011. During the nine-months ended September 30, 2012 and 2011, the number of outstanding stock options was decreased by 86,667 and 100,000 shares, respectively, due to expiration. At September 30, 2012, the total number of stock option shares outstanding, which includes both service-based and performance-based options, was 2,262,000.

The following table represents our service-based stock options granted, exercised, forfeited and canceled during the first nine months of 2012:

	Number of Shares	Weighted Average Exercise Price per share	Weighted Average Remaining Contractual Term
Service-based Stock Options Outstanding at January 1, 2012	1,008,667	\$ 2.61	
Granted			
Exercised			
Forfeited			
Canceled/Expired	86,667	\$ 2.88	
Outstanding at September 30, 2012	922,000	\$ 2.58	2.4

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

Exercisable at September 30, 2012	922,000	\$	2.58	2.4
-----------------------------------	---------	----	------	-----

The aggregate intrinsic value of service-based options outstanding and exercisable as of September 30, 2012 was \$0.

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

NOTE 7 - ACCOUNTING FOR STOCK BASED COMPENSATION (Continued)

The following table represents our performance-based stock options granted, exercised, forfeited and canceled during the first nine months of 2012:

	Number of Shares	Weighted Average Exercise Price per share	Weighted Average Remaining Contractual Term
Performance-based Stock Options Outstanding at January 1, 2012	1,340,000	\$ 0.92	
Granted			
Exercised			
Forfeited			
Canceled/Expired			
Outstanding at September 30, 2012	1,340,000	\$ 0.92	7.3
Exercisable at September 30, 2012			

The aggregate intrinsic value of performance-based options outstanding as of September 30, 2012 was \$488,950. The aggregate intrinsic value of performance-based options exercisable as of September 30, 2012 was \$0.

As of September 30, 2012, the Company's service-based stock options have been fully amortized. The aggregate grant date fair value of performance-based stock options issued through September 30, 2012 is \$836,959. During the fourth quarter of 2011, management determined the performance conditions related to these options are probable to occur. Accordingly, during this period the Company recorded compensation expense which will continue to be amortized on a straight-line basis through December 31, 2015, the implicit service period. The remaining balance, or unamortized amount, as of September 30, 2012 is \$640,027. If management determines in future periods the achievement of performance conditions are probable to occur sooner than expected, the Company will accelerate the expensing of any unamortized balance as of that determination date.

In April 2012, the Company became informed that it was not in compliance with a certain NYSE Amex (the Exchange) listing rule with respect to 176,281 shares of restricted common stock that were granted to a number of the Company's directors and officers between June 2010 and March 2012. Although these grants were approved by the Company's Board of Directors and issued in accordance with SEC rules and regulations, the shares of restricted common stock granted during these periods were not issued in accordance with all Exchange requirements, specifically the equity plan under which the shares were granted was not approved by the Company's shareholders. Consequently, on April 30, 2012, each individual who was granted restricted stock during this period agreed to forfeit the shares granted to him, which included both vested and non-vested shares. The Company formally submitted a new equity plan to its shareholders which was approved and ratified at the Company's Annual Meeting of Shareholders held on June 13, 2012. The Company's Compensation Committee contemplated the appropriate replacement award to be granted under the new equity plan to each affected individual and on June 13, 2012 the committee awarded replacement grants to the Company's Chief Executive Officer, V.P. of Sales and Marketing and certain members of its Board of Directors.

The following table summarizes the restricted common stock awards forfeited by certain officers and directors of the Company on April 30, 2012:

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

Individuals	Number of Shares Forfeited	Price per Forfeited Share
Chief Executive Officer	75,620	\$ 1.25
V.P. of Sales and Marketing	20,661	\$ 1.25
Board of Directors	80,000	\$ 1.25
	<u>176,281</u>	

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

NOTE 7 - ACCOUNTING FOR STOCK BASED COMPENSATION (Continued)

The following table summarizes the restricted common stock awards granted under the Company's approved stock compensation plan on June 13, 2012 to certain officers and directors of the Company:

Individuals	Number of Shares Granted	Price per Granted Share	Vesting Date	
Chief Executive Officer	50,000	\$ 1.15	June 13, 2012	(vested upon grant)
	26,957	\$ 1.15	March 20, 2013	
V.P. of Sales and Marketing	21,739	\$ 1.15	March 20, 2013	
Board of Directors	80,000	\$ 1.15	June 13, 2012	(vested upon grant)
	80,000	\$ 1.15	June 13, 2013	
	258,696			

On June 26, 2012, the Company repurchased 23,334 shares of restricted common stock from its Chief Executive Officer to allow for the non-cash settlement of certain individual tax liabilities related to the personal income recognized for stock compensation.

A summary of the status of the Company's non-vested restricted common stock, as granted under the Company's approved stock compensation plan, as of September 30, 2012, and changes during the nine-months ended September 30, 2012 are presented below:

Non-vested Shares	Number of Shares	Weighted Average Grant Date Fair Value
Non-vested at January 1, 2012		
Granted	258,696	\$ 1.15
Vested	(130,000)	\$ (1.15)
Non-vested at September 30, 2012	128,696	\$ 1.15

As of September 30, 2012, total outstanding restricted common stock previously granted by the Company consists of 130,000 vested shares and 128,696 non-vested shares.

As of September 30, 2012, the unearned compensation related to Company granted restricted common stock is \$106,333 and will be amortized on a straight-line basis through the respective vesting dates.

NOTE 8 - 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:

The Company and its subsidiaries develop and manufacture various types of electronic test equipment. Historically, the operating businesses of the Company were aggregated into a single operating segment based on similar economic characteristics, products, services, customers, U.S. Government regulatory requirements, manufacturing processes and distribution channels. Based on how the Company currently manages and discusses its operations and the operations of its subsidiaries, the Company has revised its segment reporting to reflect two reportable segments, test and measurement and network solutions.

The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies. The Company allocates resources and evaluates the performance of segments based on income or loss from operations, excluding interest, corporate expenses and other income (expenses).

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

NOTE 8 SEGMENT INFORMATION: REGIONAL SALES (Continued)

Financial information by reportable segment for the three and nine-months ended September 30, 2012 and 2011:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<u>Net sales by segment:</u>				
Test and measurement	\$ 4,297,887	\$ 3,350,581	\$ 11,745,402	\$ 10,004,621
Network solutions	3,087,354	3,714,010	9,633,704	9,609,681
Total consolidated net sales and net sales of reportable segments	<u>\$ 7,385,241</u>	<u>\$ 7,064,591</u>	<u>\$ 21,379,106</u>	<u>\$ 19,614,302</u>
<u>Segment income:</u>				
Test and measurement	\$ 976,914	\$ 386,761	\$ 2,124,823	\$ 693,870
Network solutions	597,871	1,076,687	2,157,285	2,395,867
Income from reportable segments	<u>1,574,785</u>	<u>1,463,448</u>	<u>4,282,108</u>	<u>3,089,737</u>
<u>Other unallocated amounts:</u>				
Corporate expenses	(801,916)	(764,563)	(2,348,814)	(1,881,180)
Interest and other income - net	(47,157)	6,011	(16,562)	135,473
Consolidated income before income tax (benefit)	<u>\$ 725,712</u>	<u>\$ 704,896</u>	<u>\$ 1,916,732</u>	<u>\$ 1,344,030</u>
<u>Depreciation and amortization by segment:</u>				
Test and measurement	\$ 70,114	\$ 109,496	\$ 206,979	\$ 331,835
Network solutions	18,378	13,838	51,014	41,254
Total depreciation and amortization for reportable segments	<u>\$ 88,492</u>	<u>\$ 123,334</u>	<u>\$ 257,993</u>	<u>\$ 373,089</u>
<u>Capital expenditures by segment:</u>				
Test and measurement	\$ 58,296	\$ 76,205	\$ 167,199	\$ 188,262
Network solutions	17,077	45,733	126,582	147,601
Total consolidated capital expenditures by reportable segment	<u>\$ 75,373</u>	<u>\$ 121,938</u>	<u>\$ 293,781</u>	<u>\$ 335,863</u>

Financial information by reportable segment as of September 30, 2012 and December 31, 2011:

2012 2011

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

<u>Total assets by segment:</u>		
Test and measurement	\$ 13,283,339	\$ 12,759,023
Network solutions	7,219,286	6,337,446
	<hr/>	<hr/>
Total assets for reportable segments	20,502,625	19,096,469
Corporate assets, principally cash and cash equivalents and deferred and current taxes		
	19,445,994	18,605,491
	<hr/>	<hr/>
Total consolidated assets	\$ 39,948,619	\$ 37,701,960
	<hr/>	<hr/>

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

NOTE 8 SEGMENT INFORMATION: REGIONAL SALES (Continued)

Net consolidated sales by region were as follows:

	For the Three Months Ended September 30, 2012		For the Nine Months Ended September 30, 2012	
	2012	2011	2012	2011
Sales by region				
Americas	\$ 5,589,376	\$ 5,348,109	\$ 16,011,211	\$ 14,275,394
Europe, Middle East, Africa (EMEA)	1,360,022	1,020,066	3,495,931	3,679,741
Asia Pacific (APAC)	435,843	696,416	1,871,964	1,659,167
Total Sales	\$ 7,385,241	\$ 7,064,591	\$ 21,379,106	\$ 19,614,302

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. For the three-months ended September 30, 2012 and 2011, sales in the United States amounted to \$5,227,114 and \$4,831,797, respectively. For the nine-months ended September 30, 2012 and 2011, sales in the United States amounted to \$14,849,766 and \$13,208,616, respectively. For the three and nine-months ended September 30, 2012 and 2011, shipments to the EMEA region were not significantly concentrated in one country. Shipments to the APAC region were largely concentrated in China. For the three-months ended September 30, 2012 and 2011, sales in China amounted to \$211,429 and \$334,937, respectively. For the nine-months ended September 30, 2012 and 2011, sales in China amounted to \$1,057,909 and \$793,087, respectively.

NOTE 9 - COMMITMENTS AND CONTINGENCIES**Warranties:**

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.

Leases:

The Company has a building lease agreement with its current landlord to remain at its principal corporate headquarters in Hanover Township, Parsippany, New Jersey through September 30, 2014. The minimum monthly rent payment for the remaining term of the lease will be approximately \$29,000.

Environmental 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 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.

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

NOTE 9 - COMMITMENTS AND CONTINGENCIES (Continued)

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 testing performed 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.

Line of Credit:

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, the facility is fully secured by our money fund account and short-term investment holdings held with the bank. 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, 2012, the Company had no borrowings outstanding under the facility and approximately \$4,900,000 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.

Risks and Uncertainties:

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.

NOTE 10 - ASSET HELD FOR SALE

On July 26, 2012, the Company received notice that its lessee exercised its purchase option under an operating lease with the Company, dated November 17, 2000, to purchase the property owned by the Company and located in Mahwah, New Jersey (the Mahwah Building). The purchase price is \$3,500,000 of which \$350,000 was deposited by the buyer and is being held in escrow until the closing. The closing, which is scheduled to occur on or before August 1, 2013, is subject to customary closing conditions. As a result, as of September 30, 2012 and December 31, 2011, the Mahwah Building is included in Assets Held for Sale in the accompanying condensed consolidated balance sheets at a carrying value of \$3,179,003 and \$3,245,700, respectively. The Company expects to realize a gain on the sale of the property of approximately \$400,000.

The Company has a mortgage payable secured by the Mahwah Building. The terms of the mortgage require monthly payments of \$23,750 applied to both principal and interest at the annual rate of 7.45%. The mortgage is scheduled to mature in August, 2013, and is expected to be repaid with the proceeds from the Mahwah Building sale in 2013.

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

NOTE 10 - ASSET HELD FOR SALE (Continued)

Included in the Company's condensed consolidated statement of operations, recorded as non-operating income and expense, are certain income and expenses directly related to the Mahwah Building. For each of the three and nine-months ended September 30, 2012 and 2011, the Company's results of operations included rental income of \$96,498 and \$289,494, respectively. For the three-months ended September 30, 2012 and 2011, the Company's results of operations included mortgage interest expense of \$50,289 and \$51,639 and building depreciation expense of \$22,232 and \$22,232, respectively. For the nine-months ended September 30, 2012 and 2011, the Company's results of operations included mortgage interest expense of \$151,902 and \$155,877 and building depreciation expense of \$66,696 and \$66,696, respectively.

17

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.

In December 2011, the Company's management reevaluated how it manages and discusses, both internally and with its board of directors, its operations and the operations of its subsidiaries Boonton and Microlab. Therefore, the Company has revised its segment reporting to reflect two reportable segments, test and measurement and network solutions. The test and measurement segment is comprised primarily of the Company's operations and the operations of its subsidiary, Boonton. The network solutions segment is comprised primarily of the operations of the Company's subsidiary, Microlab. Relative prior period information has been revised accordingly. The Company believes the revised segment reporting better reflects how its operating segments are managed and each segment's performance is evaluated. Additional financial information on the Company's reportable segments as of September 30, 2012 and December 31, 2011, as well as for the three and nine-months ended September 30, 2012 and 2011 is included in Note 8 to the Company's condensed consolidated financial statements.

The financial information presented herein includes:

(i) Condensed Consolidated Balance Sheets as of September 30, 2012 (unaudited) and as of December 31, 2011 (ii) Condensed Consolidated Statements of Operations for the three and nine-month periods ended September 30, 2012 (unaudited) and 2011 (unaudited) (iii) Condensed Consolidated Statements of Cash Flows for the nine-month periods ended September 30, 2012 (unaudited) and 2011 (unaudited) and (iv) Condensed Consolidated Statement of Shareholders' Equity for the nine-month period ended September 30, 2012 (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, the ability of our management to successfully implement our business plan and strategy, product demand and development of competitive technologies in our market sector, the impact of competitive products and pricing, the loss of any significant customers, our abilities to protect our property rights, 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.

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

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 any performance-based or service-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 collectability 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.

Allowance 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, its customers' 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)

The Company has analyzed its filing positions in all of the Federal and state jurisdictions where it is required to file income tax returns. As of September 30, 2012 and December 31, 2011, the Company has identified its Federal tax return and its state tax return in New Jersey 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, 2012 and 2011.

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, 2011.

For the nine-months ended September 30, 2012 as compared to the corresponding period of the previous year, net consolidated sales increased to approximately \$21,379,000 from approximately \$19,614,000, an increase of approximately \$1,765,000 or 9.0%. For the three-months ended September 30, 2012 as compared to the corresponding period of the previous year, net consolidated sales increased to approximately \$7,385,000 from approximately \$7,065,000, an increase of approximately \$320,000 or 4.5%. These increases were primarily the result of continuing strong demand for the Company's test and measurement instruments for both commercial and military applications. The Company has experienced an increase in order activity due to commercial infrastructure development in support of the ongoing expansion of upgrade to DAS. Additionally, the Company continues to experience strong demand for its test and measurement instruments from prime U.S. defense contractors and various government and military agencies.

Net sales of the Company's network solutions products for the nine-months ended September 30, 2012 were approximately \$9,634,000 as compared to approximately \$9,610,000 for the nine-months ended September 30, 2011, an increase of approximately \$24,000 or .2%. Net sales of network solutions products accounted for approximately 45% and 49% of net consolidated sales for the nine-month periods ended September 30, 2012 and 2011, respectively. Net sales of the Company's network solutions products for the three-months ended September 30, 2012 were approximately \$3,087,000 as compared to approximately \$3,714,000 for the three-months ended September 30, 2011, a decrease of approximately \$627,000 or 16.9%. Net sales of network solutions products accounted for approximately 42% and 53% of net consolidated sales for the three-month periods ended September 30, 2012 and 2011, respectively. The slight increase in sales for the nine-months ended September 30, 2012 was primarily due to the Company's ongoing participation in DAS deployments through supply of its passive microwave components. The decrease in sales for the three-months ended September 30, 2012 was primarily due to the timing of DAS deployments as certain orders are received on a project specific basis.

Net sales of the Company's test and measurement products for the nine-months ended September 30, 2012 were approximately \$11,745,000 as compared to approximately \$10,005,000 for the nine-months ended September 30, 2011, an increase of approximately \$1,740,000 or 17.4%. Net sales of test and measurement products accounted for approximately 55% and 51% of net consolidated sales for the nine-months ended September 30, 2012 and 2011, respectively. Net sales of the Company's test and measurement products for the three-months ended September 30, 2012 were approximately \$4,298,000 as compared to approximately \$3,351,000 for the three-months ended September 30, 2011, an increase of approximately \$947,000 or 28.3%. Net sales of test and measurement products accounted for approximately 58% and 47% of net consolidated sales for the three-months ended September 30, 2012 and 2011, respectively. The increase in sales was primarily due to increased volume related to the ongoing fulfillment of government contract orders, particularly the Company's supply of peak power meters to the U.S. Navy.

Gross profit on net consolidated sales for the nine-months ended September 30, 2012 was approximately \$10,645,000 or 49.8% as compared to approximately \$9,001,000 or 45.9% of net consolidated sales for the nine-months ended September 30, 2011. Gross profit on net consolidated sales for the three-months ended September 30, 2012 was approximately \$3,700,000 or 50.1% as compared to approximately \$3,433,000 or 48.6% of net consolidated sales for the three-months ended September 30, 2011.

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

Gross profit margins are higher for the three and nine-months ended September 30, 2012 as compared to the same periods of the previous year primarily due to higher revenue volume being allocated to relatively fixed manufacturing labor and overhead costs and severance costs incurred during the first quarter of 2011 in the amount of approximately \$73,000 relating to the implementation of a cost reduction plan which included several manufacturing employees.

Additionally, during the first quarter ended 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.

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. 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. The Company will continue to rigidly monitor costs associated with material acquisition, manufacturing and production.

Operating expenses for the nine-months ended September 30, 2012 were approximately \$8,711,000 or 41% of net consolidated sales as compared to approximately \$7,792,000 or 40% of net consolidated sales for the nine-months ended September 30, 2011. Operating expenses are higher for the nine-months ended September 30, 2012 primarily due to an increase in general and administrative expenses of approximately \$779,000 and an increase in research and development expenses of approximately \$216,000, offset by a decrease in sales and marketing expenses of approximately \$76,000. Operating expenses for the three-months ended September 30, 2012 were approximately \$2,927,000 or 40% of net consolidated sales as compared to approximately \$2,734,000 or 39% of net consolidated sales for the three-months ended September 30, 2011. Operating expenses are higher for the three-months ended September 30, 2012 primarily due to an increase in sales and marketing expenses of approximately \$105,000 and an increase in research and development expenses of approximately \$94,000, offset by a decrease in general and administrative expenses of approximately \$7,000.

The increase in general and administrative expenses for the nine-months ended September 30, 2012 is primarily due to a higher bonus accrual of approximately \$245,000 and an increase in non-cash stock based compensation charges of approximately \$127,000 primarily due to the amortization of the Company's performance-based stock options. Additionally, a specific warranty accrual was reversed during the quarter ended March 31, 2011 in the amount of \$240,000 relating to product shipped in 2008. The Company determined that there is a remote likelihood that any of these specific units would be returned and, accordingly, the Company subsequently reversed the warranty accrual. For the nine-months ended September 30, 2012, research and development expenses increased primarily due to the hiring in May of the Company's Vice President of Engineering and increased spending on specific research and development projects. Sales and marketing expenses were lower for the nine-months ended September 30, 2012 primarily due to lower sales and marketing salaries of approximately \$137,000 and a decrease in travel and related expenses of approximately \$30,000, partially offset by higher, order specific, commissions paid to the Company's external, non-employee sales representatives of approximately \$59,000. Additionally, severance was paid during the nine-months ended September 30, 2011 to certain sales and marketing employees in the amount of approximately \$124,000 in connection with the cost reduction plan mentioned above.

Interest expense, net of interest income derived from the Company's cash investment account, was relatively unchanged for the three and nine-months ended September 30, 2012, as compared to the corresponding period of the previous year. Substantially all of the Company's cash is invested in money market funds.

Other income, net of other non-operating expense, decreased by approximately \$53,000 and \$152,000 for the three and nine-months ended September 30, 2012, respectively, as compared to the corresponding periods of the previous year. The decrease in other income is primarily due to a realized gain from the sale of an investment security recorded during the nine-months ended September 30, 2011, partially offset by higher 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 is diligently pursuing efforts to satisfy the requirements of the original remediation plan, in effect since 1982, 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 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.

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

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.

For the nine-months ended September 30, 2012 and 2011, the Company realized a tax benefit of approximately \$249,000 and approximately \$369,000, respectively. For the three-months ended September 30, 2012 and 2011, the Company realized a tax benefit of approximately \$129,000 and \$122,000, respectively. For all periods, the tax benefit was primarily due to a decrease in the Company's deferred tax asset valuation allowance, partially offset by a provision for state income taxes. The Company analyzes its deferred tax asset on a quarterly basis and adjusts the deferred tax asset valuation allowance based on its rolling five year projection of estimated taxable income.

For the nine-months ended September 30, 2012, the Company realized net income of approximately \$2,166,000 or \$0.09 income per share on a basic and diluted basis, as compared to net income of approximately \$1,713,000 or \$0.07 income per share on a basic and diluted basis for the corresponding period of the previous year, an increase of approximately \$453,000. For the three-months ended September 30, 2012, the Company realized net income of approximately \$855,000 or \$0.04 income per share on a basic basis or \$0.03 income per share on a diluted basis, as compared to net income of approximately \$827,000 or \$0.03 income per share on a basic and diluted basis for the corresponding period of the previous year, an increase of approximately \$28,000. The increases were primarily due to the analysis mentioned above.

LIQUIDITY AND CAPITAL RESOURCES

The Company's working capital has increased by approximately \$2,070,000 to approximately \$26,629,000 at September 30, 2012, from approximately \$24,559,000 at December 31, 2011. At September 30, 2012, the Company had a current ratio of 6.4 to 1, and a ratio of debt to tangible net worth of .15 to 1. At December 31, 2011, the Company had a current ratio of 14.2 to 1, and ratio of debt to tangible net worth of .14 to 1.

The Company had cash and cash equivalents of approximately \$12,463,000 at September 30, 2012, compared to approximately \$12,090,000 at December 31, 2011. In 2011, the Company repurchased approximately 1,293,000 shares of its outstanding common stock at a cost of approximately \$1,135,000. During the nine-months ended September 30, 2012, the Company has repurchased approximately 481,000 shares of its outstanding common stock at a cost of approximately \$583,000. 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 Communications GmbH, its former German subsidiary, 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 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's inventory has increased by approximately \$833,000 to approximately \$8,410,000 at September 30, 2012, from approximately \$7,577,000 at December 31, 2011. The Company has increased its raw materials inventory in order to meet increasing demand for the Company's network solutions products.

The Company realized cash from operating activities of approximately \$1,305,000 for the nine-month period ending September 30, 2012. The primary source of this cash was due to net income from operations for the nine-month period, as well as, an increase in accounts payable, accrued expenses and other current liabilities, partially offset by an increase in inventory, an increase in accounts receivable and an increase in prepaid expenses and other assets.

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 net income from operations and a decrease in prepaid expenses and other assets.

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

On July 26, 2012, the Company received notice that its lessee exercised its purchase option under an operating lease with the Company, dated November 17, 2000, to purchase the property owned by the Company and located in Mahwah, New Jersey (the Mahwah Building). The purchase price is \$3,500,000 of which \$350,000 was deposited by the buyer and is being held in escrow until the closing. The closing, which is scheduled to occur on or before August 1, 2013, is subject to customary closing conditions. As a result, as of September 30, 2012 and December 31, 2011, the Mahwah Building is included in Assets Held for Sale in the accompanying condensed consolidated balance sheets at a carrying value of \$3,179,003 and \$3,245,700, respectively. The Company expects to realize a gain on the sale of the property of approximately \$400,000.

Additionally, the Company has a mortgage payable secured by the Mahwah Building. The terms of the mortgage require monthly payments of \$23,750 applied to both principal and interest at the annual rate of 7.45%. The mortgage is scheduled to mature in August, 2013, and is expected to be repaid with the proceeds from the Mahwah Building sale in 2013.

Net cash used for investing activities for the nine-months ended September 30, 2012 and 2011 was approximately \$294,000 and approximately \$336,000, respectively. The use of these funds was for capital expenditures.

Cash used for financing activities for the nine-months ended September 30, 2012 and 2011 was approximately \$638,000 and \$618,000, respectively. The use of these funds was for the acquisition of treasury stock and the periodic payments of a mortgage note.

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, the facility is fully secured by our money fund account and short-term investment holdings held with the bank. 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, 2012, the Company had no borrowings outstanding under the facility and approximately \$4,900,000 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, as amended. 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 Securities Act of 1934, as amended, there was no change identified in our internal control over financial reporting that occurred as of the end of the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

The Company has been implementing a new enterprise resource planning (ERP) system over the past two years, which is expected to improve the efficiency of certain financial and related transaction processes. The implementation of an ERP system will likely affect the processes that constitute our internal control over financial reporting and will require testing for effectiveness.

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

Not applicable.

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, 2012, 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, 2012.

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, 2012 - July 31, 2012	76,421	\$ 1.23	76,421	639,779
August 1, 2012 - August 31, 2012	34,155	\$ 1.24	34,155	605,624
September 1, 2012 - September 30, 2012	78,165	\$ 1.24	78,165	527,459
Total	188,741	\$ 1.24	188,741	

(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, subject to applicable law, 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.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II - OTHER INFORMATION (Continued)

Item 5. OTHER INFORMATION

As previously reported on the Company's Current Report on Form 8-K filed on October 15, 2012, the Board of Directors of the Company approved and adopted on October 12, 2012, the Amended and Restated By-Laws of the Company (the "2012 Amended By-Laws") which amended the By-Laws dated January 31, 2008 that were previously in effect. The 2012 Amended By-Laws added new sections to require advanced notice of stockholder nominations for directors. These new articles provide for the following:

procedures for director nominations and other business to be considered at annual meetings, which is accomplished by separate by-laws—one for nominations (Article 3, Section 8) and one for other business, including shareholder proposals (Article 2, Section 6);

providing mandatory deadlines for shareholders to make proposals of business and nominations of directors at annual meetings of shareholders, generally between ninety (90) days and one hundred twenty (120) days prior to the one-year anniversary of the preceding year's annual meeting;

distinguishing between shareholder proposals made under SEC Rule 14a-8 and other proposals to conduct business at annual meetings;

including a requirement that director nominees provide certain information to the Company, including information required to be disclosed in a proxy statement;

requiring a shareholder making nominations or proposals to disclose their beneficial ownership position and whether it intends or is part of a group that intends to deliver a proxy statement and/or otherwise to solicit proxies from shareholders in support of such proposal or nomination; and

providing that business transacted at any special meeting of shareholders shall be confined to the purpose or purposes stated in the notice thereof.

Item 6. EXHIBITS

Exhibit No.	Description
3.1	Amended and Restated Bylaws of the Company, dated October 12, 2012 (1)
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, 2012, filed on November 14, 2012, 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 interim condensed consolidated financial statements. (2)

(1) Filed as an exhibit to the Company's Current Report on Form 8-K, dated October 12, 2012, filed with the Commission on October 15, 2012 and incorporated by reference herein.

- (2) 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.

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, 2012

/S/ Paul Genova

Paul Genova
Chief Executive Officer

Date: November 14, 2012

/S/ Robert Censullo

Robert Censullo
Acting Chief Financial Officer

EXHIBIT LIST

Exhibit No.	Description
3.1	Amended and Restated Bylaws of the Company, dated October 12, 2012 (1)
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, 2012, filed on November 14, 2012, 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 interim condensed consolidated financial statements. (2)

-
- (1) Filed as an exhibit to the Company s Current Report on Form 8-K, dated October 12, 2012, filed with the Commission on October 15, 2012 and incorporated by reference herein.
- (2) 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.