HESTERBERG EARL J
Form 4
December 14, 2007

FORM 4

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

OMB APPROVAL

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
HESTERBERG EARL J

(Last) (First) (Middle)

950 ECHO LANE, SUITE 100

(Street)

HOUSTON, TX 77024

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
GROUP 1 AUTOMOTIVE INC [GPI]

3. Date of Earliest Transaction (Month/Day/Year)
12/14/2007

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
President & CEO

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	12/14/2007		P		300	A	$ 24.9	213,099.16	D	
Common Stock	12/14/2007		P		1,000	A	$ 24.95	214,099.16	D	
Common Stock	12/14/2007		P		500	A	$ 25	214,599.16	D	
Common Stock	12/14/2007		P		500	A	$ 25.05	215,099.16 (1)	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
HESTERBERG EARL J 950 ECHO LANE SUITE 100 HOUSTON, TX 77024	X		President & CEO	

Signatures

/s/ Hesterberg, Jr., Earl J.	12/14/2007
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Includes shares acquired as a result of an Employee Stock Purchase Plan.

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Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. cquirer from attempting to obtain control of the company. This, in turn, could have an adverse effect on the market price of our common stock or prevent our shareholders from realizing a premium over the market price for their shares of common stock.

The inability to maintain adequate levels of liquidity may have an adverse affect on the working capital of the Company.

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

The Company is subject to compliance with the policies & procedures of the NYSE Amex with respect to continued listing on the stock exchange.

In considering whether a security warrants continued trading and/or listing on the NYSE Amex Exchange, many factors are taken into account, such as the degree of investor interest in the company, its prospects for growth, the reputation of its management, the degree of commercial acceptance of its products, and whether its securities have suitable characteristics for auction market trading. Thus, any developments which substantially reduce the size of a company, the nature and scope of its operations, the value or amount of its securities available for the market, or the number of holders of its securities, may occasion a review of continued listing by the Exchange. Moreover, events such as the sale, destruction, loss or abandonment of a substantial portion of its business, the inability to continue its business, steps towards liquidation, or repurchase or redemption of its securities, may also give rise to such a review.

Item 1B. **Unresolved Staff Comments**

None.

Item 2. **Properties**

The Company leases a total of approximately 98,000 square feet of space worldwide. The Company s foreign facility in Ismaning, Germany occupy approximately 36,000 square feet. The lease terminates on December 31, 2010 and can be renewed for two five-year periods twelve months prior to the end of the expiring term.

In September 2002, the Company relocated its corporate headquarters and noise generation operations to the 45,700 square foot facility occupied by Boonton in Hanover Township, Parsippany, New Jersey. The term of this lease agreement is for ten years ending September 30, 2011 and can be renewed for one five-year period at fair market value to be determined at term expiration.

The Company also owns a 44,000 square foot facility located in Mahwah, New Jersey. In November 2000, the Company entered into a lease agreement with an unrelated third party for the entire facility. The triple net lease runs through August 1, 2013 and the tenant has an exclusive option to purchase the property at a predetermined purchase price of approximately $3,500,000 up through August 1, 2012 during the lease term.

Item 3. **Legal Proceedings**

Reference is made to the discussion in Item 1 above regarding an investigation by the NJDEP concerning certain discontinued practices of the Company and their effect on the soil and ground water at a certain facility formerly occupied by the Company. No administrative or judicial proceedings have been commenced in connection with such investigation. The owner of the Parsippany-Troy Hills facility has notified the Company, that if the investigation proves to interfere with the sale of the property, it 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 doubtful that the owner would prevail on any claim due to the fact that such a claim would be barred by the statute of limitations. There are no other material legal proceedings known to the Company.

Item 4. **Submission of Matters to a Vote of Security Holders**

Not applicable.

PART II

Item 5. Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The Common Stock of the Company has traded on the American Stock Exchange under the name Wireless Telecom Group, Inc. (Symbol: WTT) since September 12, 1994. The following table sets forth the high and low sales prices of the Company s Common Stock for the periods indicated as reported on the New York Stock Exchange Amex (formerly the American Stock Exchange).

2008 Fiscal Year	High	Low
1st Quarter	$ 1.79	$ 1.39
2nd Quarter	1.54	1.20
3rd Quarter	1.30	1.01
4th Quarter	1.08	0.29
2007 Fiscal Year		
1st Quarter	$ 2.60	$ 2.20
2nd Quarter	3.19	2.41
3rd Quarter	3.15	1.75
4th Quarter	2.50	1.58

On March 26, 2009, the closing price of the common stock of the Company as reported was $0.29. On March 26, 2009, the Company had 507 stockholders of record. These stockholders of record do not include non-registered stockholders whose shares are held in nominee or street name .

The Company did not declare quarterly dividends for the past two years.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants, and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plan (excluding securities reflected in the previous columns)
Equity compensation plans approved by security holders	3,336,967	$ 2.25	1,185,250
Equity compensation plans not approved by security holders			
Total	3,336,967	$ 2.25	1,185,250

Item 6. Selected Financial Data

Not applicable.

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Item 7. 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, high-power passive microwave components and handset production testers 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.

The financial information presented herein includes: (i) Consolidated Balance Sheets as of December 31, 2008 and 2007 (ii) Consolidated Statements of Operations for the years ended December 31, 2008 and 2007 (iii) Consolidated Statement of Changes in Shareholders Equity for the years ended December 31, 2008 and 2007 (iv) Consolidated Statements of Cash Flows for the years ended December 31, 2008 and 2007.

Forward-Looking Statements

The statements contained in this Annual Report on Form 10-K 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 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, continued ability to maintain positive cash flow from results of operations, continued evaluation of goodwill for impairment and the Company s development and production of competitive technologies in our market sector, 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

Estimates and assumptions

Management s discussion and analysis of the financial condition and results of operations are based upon the 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 amount 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 our 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. Estimates and assumptions are made by management to assess the overall likelihood that an accounting estimate or assumption may require adjustment. Management assumptions have been reasonably accurate in the past, and future estimates or assumptions are likely to be calculated on the same basis.

Stock-based compensation

The Company follows the provisions of SFAS 123(R), 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 in 2008 and the service-based options granted during 2007, the Company took into consideration guidance under SFAS 123(R) 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. Due to the Company s history with respect to incentive stock options, 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 revenue recognition is deferred until that time. There are no formal sales incentives offered to any of the Company s customers. Volume discounts may be offered from time to time to customers purchasing large quantities on a per transaction basis. There are no special post shipment obligations or acceptance provisions that exist with any sales arrangements.

Inventory

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

Comprehensive income(loss)/Foreign currency

Assets and liabilities of the Company s foreign subsidiaries are translated at period-end exchange rates, while income and expenses are translated at average rates for the period. Translation gains and losses are reported as a component of accumulated other comprehensive income (loss) on the statement of shareholders equity in accordance with SFAS No. 130, Reporting Comprehensive Income .

Allowances for doubtful accounts

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

Income taxes

As part of the process of preparing the consolidated financial statements, the Company is required to estimate its income taxes in each of the jurisdictions in which it operates. The process incorporates an assessment of the current tax exposure together with temporary differences resulting from different treatment of transactions for tax and financial statement purposes. Such differences result in deferred tax assets and liabilities, which are included within the consolidated balance sheet. The recovery of deferred tax assets from future taxable income must be assessed and, to the extent that recovery is not likely, the Company establishes a valuation allowance. Increases in valuation allowances result in the recording of additional tax expense. Further, if the ultimate tax liability differs from the periodic tax provision reflected in the consolidated statements of operations, additional tax expense may be recorded. We must continue to be profitable in order to be able to utilize this asset in future periods.

Valuation of goodwill and other intangible assets

The Company reviews its goodwill and intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable, and also reviews goodwill annually in accordance with Statement of Financial Accounting Standard (SFAS) No. 142. 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 units 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 values 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. Goodwill is attributable to two of the Company s reporting unit s, Willtek Communications GmbH and Microlab/FXR. Intangible assets are evaluated for impairment when events or changes in circumstances indicate the carrying amount of the assets may not be recoverable. The Company considers various valuation methods to evaluate recoverability, such as discounted cash flows, comparable companies and comparable transactions. When such an impairment exists, the related assets are reduced to their net realizable value.

Results of Operations
Year Ended December 31, 2008 Compared to 2007

Net sales for the year ended December 31, 2008 were $51,031,140 as compared to $56,602,050 for the year ended 2007, a decrease of $5,570,910 or 9.8%. This decrease was primarily the result of weakened demand for the Company s products and services, particularly in the latter part of 2008.

The Company s gross profit on net sales for the year ended December 31, 2008 was $24,534,222 or 48.1% as compared to $31,537,641 or 55.7% as reported in the previous year. Gross profit margins are lower in 2008 than in 2007 primarily due to a decrease in sales contribution from Willtek, whose products generally contribute higher gross profit margins within the Company s product mix, and the result of decreased volume along with product discounts offered to our customers. The combination of lower revenue volume and pricing pressure in 2008, coupled with fixed manufacturing labor costs, contributed to the Company s lower gross margins. The Company can experience variations in gross profit based upon the mix of product sales as well as variations due to revenue volume and economies of scale. The Company continues to rigidly monitor costs associated with material acquisition, manufacturing and production.

Operating expenses for the year ended December 31, 2008, excluding impairment of goodwill and intangible assets, were $26,933,148 or 52.8% of net sales as compared to $28,374,952 or 50.1% of net sales for the year ended December 31, 2007. For the year ended December 31, 2008 as compared to the prior year, operating expenses decreased by $1,441,804. Operating expenses are lower in 2008 due to a reduction in headcount and decreased spending in both research and development and sales and marketing, partially off-set by an increase in general and administrative expense. The increase in general and administrative expense is attributable to higher professional and consulting fees, primarily in the second half of 2008. In conjunction with the continuing execution of management s business strategy, the Company incurred significant, non-recurring professional advisory and outside consultant fees and expenses with respect to the preliminary exploration of potential strategic and financial transactions to enhance stockholder value. Management will continue to seek to identify and explore, as appropriate, attractive transaction opportunities, if, and when they arise. In December 2008, the Company recorded a non-cash impairment charge of $22,761,891 and $10,370,010 related to the goodwill and intangible assets of Willtek, respectively, which was acquired on July 1, 2005. Revenues and gross margins have declined during 2008 and expected bookings of a new large sales contract in the fourth quarter of 2008 did not occur. Contributing factors to the impairment charge were the continuing decline in discounted cash flows of future revenues, reduced booking orders, declining gross margins and the overall industry slowdown in worldwide cellular handset demand. In light of the current market challenges facing Willtek, including significant technology research and development expenses required to remain competitive, management is currently evaluating several strategic alternatives and opportunities. These include, among others, a significant restructuring of the existing business, finding a strategic partner, making additional investments in technology research and development or a sale of some or all of the Willtek assets.

Interest income decreased by $119,094 for the year ended December 31, 2008. This decrease was primarily due to a lower cash investment balance and consequently decreased returns on short-term investments in 2008. Other income decreased by $861,338 for the year ended December 31, 2008. This decrease was primarily due to the recording of realized losses from the sale of investment securities in 2008 and, in 2007, the inclusion of a realized gain on foreign currency exchange booked on the Company s Germany based subsidiary.

Net loss was $31,265,065 or $1.22 per share on a diluted basis, for the year ended December 31, 2008 as compared to net income of $3,456,656 or $0.13 per share on a diluted basis, for the year ended December 31, 2007, a decrease of $34,721,721. The decrease was primarily due to the analysis mentioned above.

Liquidity and Capital Resources

The Company s working capital has decreased by $612,101 to $24,793,846 at December 31, 2008, from $25,405,947 at December 31, 2007. At December 31, 2008, the Company had a current ratio of 4.6 to 1, and a ratio of debt to tangible net worth of ..4 to 1. At December 31, 2007, the Company had a current ratio of 4.6 to 1, and a ratio of debt to tangible net worth of .7 to 1.

Operating activities provided $2,553,434 in cash for the year ending December 31, 2008. For the year ended December 31, 2007, operating activities used $209,810 in cash flows. For 2008, cash provided by operations was primarily due to decreases in accounts receivable and inventory, and an increase in accounts payable and accrued expenses, partially off-set by an increase in prepaid expenses, recoverability of taxes and other assets, and a decrease in income taxes payable. For 2007, cash used for operations was primarily due to a decrease in accounts payable and accrued expenses, an increase in inventory, and a decrease in other long-term liabilities, partially off-set by a decrease in accounts receivable.

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

Net cash used for investing activities for 2008 amounted to $5,536,558 compared to $765,392 for the year ending December 31, 2007. For 2008 the primary use of cash was for the purchase of short-term investment securities and capital expenditures, partially off-set by proceeds from the sale of investment securities. For 2007, the primary use of cash was for capital expenditures.

Financing activities used $725,000 in cash for the year ended December 31, 2008. The primary use of these funds was for the acquisition of treasury stock and payments made on its bank note payable. Net cash used by financing activities was $4,457,780 for the year ending December 31, 2007. In 2007, the primary use of these funds was for payment made to satisfy the note payable due to Investcorp.

Table of Contractual Obligations

			Payments Due by Period		
	Total	**Less than 1 Year**	**1 3 Years**	**4-5 Years**	**More than 5 Years**
Mortgage	$ 2,893,429	$ 58,784	$ 205,430	$ 2,629,215	
Facilities Leases	3,161,992	1,387,868	1,714,246	59,878	
Bank Note Payable	2,029,827	369,059	1,107,178	553,590	
Operating/Equipment Leases	584,599	208,729	375,870		
	$ 8,669,847	$ 2,024,440	$ 3,402,724	$ 3,242,683	$

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On January 17, 2008, the Board of Directors authorized the repurchase of up to 5% of the Company s common stock. During the first and second quarters of 2008, the Company made purchases from time to time in the open market. As of December 31, 2008, the Company has repurchased 295,958 shares of its common stock at a cost of $477,885. The authorized repurchase program does not have an expiration date and the timing and amount of shares repurchased will be determined by a number of factors including the levels of cash generation from operations, cash requirements for investments, and current share price. The stock repurchase program may be modified or discontinued at any time.

The Company is considering satisfying the entire outstanding principal and interest due on its bank note payable through payment of approximately $2,030,000 in the second quarter of 2009.

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

Inflation and Seasonality

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

Recent Accounting Pronouncements Affecting the Company

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements (SFAS 157). SFAS 157 provides guidance for using fair value to measure assets and liabilities. It also responds to investors requests for expanded information about the extent to which companies measure assets and liabilities at fair value, the information used to measure fair value, and the effect of fair value measurements on earnings. SFAS 157 applies whenever other standards require (or permit) assets or liabilities to be measured at fair value, and does not expand the use of fair value in any new circumstances. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. The adoption of SFAS 157 did not have a material impact on the Company s consolidated results of operations and financial condition. Additionally, in February 2008, the FASB issued FASB Staff Positions (FSP) Financial Accounting Standard 157-2, which delays the effective date of SFAS No. 157 from January 1, 2008 to January 1, 2009 for all nonfinancial assets and liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis. The Company does not expect the adoption of this statement to have a material impact on its consolidated financial statements.

In February 2007, FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities. SFAS No. 159 allows companies to choose to measure many financial instruments and certain other items at fair value. The statement requires that unrealized gains and losses on items for which the fair value option has been elected to be reported in earnings. SFAS No. 159 also amends certain provisions of SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007, although earlier adoption is permitted. The Company s adoption of this standard did not have a material effect on its financial position or results of operations.

In December 2007, the FASB issued two new statements: (a.) SFAS No. 141 (revised 2007), Business Combinations, and (b.) No. 160 Non-controlling Interests in Consolidated Financial Statements. These statements are effective for fiscal years beginning after December 15, 2008 and the application of these standards will improve, simplify and converge internationally the accounting for business combinations and the reporting of non-controlling interests in consolidated financial statements. The Company is in the process of evaluating the impact, if any, on SFAS 141(R) and SFAS 160 and does not anticipate that the adoption of these standards will have any impact on its consolidated financial statements.

(a.) SFAS No. 141(R) requires an acquiring entity in a business combination to: (i) recognize all (and only) the assets acquired and the liabilities assumed in the transaction, (ii) establish an acquisition-date fair value as the measurement objective for all assets acquired and the liabilities assumed, and (iii) disclose to investors and other users all of the information they will need to evaluate and understand the nature of, and the financial effect of, the business combination, and, (iv) recognize and measure the goodwill acquired in the business combination or a gain from bargain purchase.

(b.) SFAS No. 160 will improve the relevance, comparability and transparency of financial information provided to investors by requiring all entities to: (i) report non-controlling (minority) interests in subsidiaries in the same manner, as equity but separate from the parent s equity, in consolidated financial statements, (ii) net income attributable to the parent and to the non-controlling interest must be clearly identified and presented on the face of the consolidated statement of income, and (iii) any changes in the parent s ownership interest while the parent retains the controlling financial interest in its subsidiary be accounted for consistently.

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133, which amends and expands the disclosure requirements of SFAS 133 to require qualitative disclosure about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative agreements. This statement will be effective for the Company beginning in fiscal 2009. The Company does not expect the adoption of this standard to have an impact on the Company s consolidated financial statements.

In May 2008, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 162, The Hierarchy of Generally Accepted Accounting Principles . This standard is intended to improve financial reporting by identifying a consistent framework, or hierarchy, for selecting accounting principles to be used in preparing financial statements that are presented in conformity with US GAAP for non-governmental entities. SFAS No. 162 is effective 60 days following the SEC s approval of the Public Company Accounting Oversight Board amendments to AU Section 411, the meaning of Present Fairly in Conformity with GAAP . The Company does not expect the adoption of this standard to have an impact on the Company s consolidated financial statements.

Item 7A. **Quantitative and Qualitative Disclosures About Market Risk**

Interest Rate Risk

The Company s bank loan and the associated interest expense are not sensitive to changes in the level of interest rates. The Company s note was interest free through June 2008 and began bearing interest at the annual rate of 4% beginning July 2008. The note requires twelve half-yearly payments beginning December 2008 until maturity at June 2014. As a result, the Company is not subject to market risk for changes in interest rates and will not be subjected to increased or decreased interest payments if market rates fluctuate and the Company is in a borrowing mode.

Foreign Exchange Rate Risk

The Company has one foreign subsidiary in Germany. The Company does business in more than seventy countries and currently generates approximately 49% of its revenues from outside of the Americas. The Company s ability to sell its products in foreign markets may be affected by changes in economic, political or market conditions in the foreign markets in which the Company does business.

The Company s total assets in its foreign subsidiary was $14.0 million at December 31, 2008, translated into US dollars at the closing exchange rates. The Company also acquires certain inventory from foreign suppliers and, as such, faces risk due to adverse movements in foreign currency exchange rates. These risks could have a material impact on the Company s results in future periods. The potential loss based on end of period balances and prevailing exchange rates resulting from a hypothetical 10% strengthening of the dollar against foreign currencies was not material in the period ended December 31, 2008.

The Company does not currently employ any currency derivative instruments, futures contracts or other currency hedging techniques to mitigate its risks in this regard.

Industry Risk

The electronic test and measurement industry is cyclical which can cause significant fluctuations in sales, gross profit margins and profits, from year to year. It is difficult to predict the timing of the changing cycles in the electronic test and measurement industry.

Item 8. Financial Statements and Supplementary Data

The response to this item is submitted in a separate section of this report.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

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

(b) Management s Report on Internal Control over Financial Reporting

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. The Company s internal control over financial reporting is a process designed under the supervision of the Company s principal executive officer and principal financial officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company s financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurances with respect to financial statement preparation and presentation. Additionally, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. As of December 31, 2008, management assessed the effectiveness of the Company s internal control over financial reporting based on the criteria for effective internal control over financial reporting established in Internal Control Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Based on the assessment, management determined that the Company maintained effective internal control over financial reporting as of December 31, 2008, based on the COSO criteria. This annual report does not include an attestation report of the Company s independent registered public accounting firm regarding internal control over financial reporting. Management s report was not subject to attestation by the Company s independent registered public accounting firm pursuant to temporary rules of the SEC that permit the Company to provide only management s report in the annual report.

(c) 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.

Item 9B. Other Information

The audit committee periodically conducts a self-evaluation. The results of the most recent self-assessment, which were communicated to the Company s Board of Directors, concluded the committee performed effectively.

PART III

Item 10. Directors and Executive Officers of the Registrant

The information required under this item is set forth in the Company s Definitive Proxy Statement relating to the Company s 2009 annual meeting of shareholders to be held on or about June 11, 2009 and is incorporated herein by reference. Such Proxy Statement will be filed with the Commissions within 120 days of the Company s year-end.

Item 11. Executive Compensation

The information required under this item is set forth in the Company s Definitive Proxy Statement relating to the Company s 2009 annual meeting of shareholders to be held on or about June 11, 2009 and is incorporated herein by reference. Such Proxy Statement will be filed with the Commissions within 120 days of the Company s year-end.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required under this item is set forth in the Company s Definitive Proxy Statement relating to the Company s 2009 annual meeting of shareholders to be held on or about June 11, 2009 and is incorporated herein by reference. Such Proxy Statement will be filed with the Commissions within 120 days of the Company s year-end.

Item 13. Certain Relationships and Related Transactions

The information required under this item is set forth in the Company s Definitive Proxy Statement relating to the Company s 2009 annual meeting of shareholders to be held on or about June 11, 2009 and is incorporated herein by reference. Such Proxy Statement will be filed with the Commissions within 120 days of the Company s year-end.

Item 14. Principal Accountant Fees and Services

The information required under this item is set forth in the Company s Definitive Proxy Statement relating to the Company s 2009 annual meeting of shareholders to be held on or about June 11, 2009 and is incorporated herein by reference. Such Proxy Statement will be filed with the Commissions within 120 days of the Company s year-end.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) (1) Report of Independent Registered Public Accounting Firm
Consolidated Balance Sheets as of December 31, 2008 and 2007
Consolidated Statements of Operations for the Two Years in the Period ended December 31, 2008
Consolidated Statements of Changes in Shareholders Equity for the Two Years in the Period ended December 31, 2008
Consolidated Statements of Cash Flows for the Two Years in the Period ended December 31, 2008
Notes to Consolidated Financial Statements

(2) Financial Statement Schedules
Schedule II Valuation and Qualifying Accounts

All other schedules have been omitted because the required information is included in the financial statements or notes thereto or because they are not required.

(3) Exhibits

3.1 Certificate of Incorporation, as amended (1)

3.2 Amended and Restated By-laws (1)

3.3 Amendment to the Certificate of Incorporation (2)

3.4 Amendment to the Certificate of Incorporation (3)

4.2 Form of Stock Certificate (1)

10.1 Summary Plan Description of Profit Sharing Plan of the Registrant (1)

10.2 Incentive Stock Option Plan of the Registrant and related agreement (1)

10.3 Amendment to Registrant s Incentive Stock Option Plan and related agreement (3)

10.4 Wireless Telecom Group, Inc. 2000 Stock Option Plan (4)

10.5 Stock Purchase Agreement dated December 21, 2001, by and among the Company, Microlab/FXR and Harry A. Augenblick (5)

10.6 Stock Purchase Agreement made as of December 21, 2001, by and among the Company and Microlab/FXR Employees Stock Ownership Plan (5)

10.7 Amended and Restated Stock Purchase Agreement, dated as of March 29, 2005, among the Company, Willtek Communications GmbH, Investcorp Technology Ventures, L.P., and Damany Holding GmbH (6)

10.8 Amended and Restated Loan Agreement, dated March 29, 2005, by and among Investcorp Technology Ventures, L.P., Willtek Communications GmbH and Wireless Telecom Group, Inc. (6)

10.9 Severance Agreement, dated March 29, 2005, between Wireless Telecom Group, Inc. and Paul Genova (8)

10.10 Employment and Severance Agreement, dated January 23, 2006, between Wireless Telecom Group, Inc. and James M. Johnson (9)

10.11 Employment and Severance Agreement, dated February 6, 2007, between Wireless Telecom Group, Inc. and Lawrence Henderson (9)

11.1 Computation of Per Share Earnings filed herewith

14 Code of Ethics (7)

23.1 Consent of Independent Registered Public Accounting Firm (PKF) filed herewith as Exhibit 23.1

31.1 Certification pursuant to section 302 of the Sarbanes-Oxley Act of 2002

31.2 Certification pursuant to section 302 of the Sarbanes-Oxley Act of 2002

32.1 Certification pursuant to 18 U.S.C. section 1350

32.2 Certification pursuant to 18 U.S.C. section 1350

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(1) Filed as an exhibit to the Company s Registration Statement on Form S-18 (File No.33-42468-NY) and incorporated by reference herein.

(2) Filed as an exhibit to the Company s Annual Report on Form 10-K for the year ended December 1994 and incorporated by reference herein.

(3) Filed as an exhibit to the Company s Annual Report on Form 10-K for the year ended December 1995 and incorporated by reference herein.

(4) Filed as Annex B to the Definitive Proxy Statement of the Company filed on July 17, 2000 and incorporated by reference herein.

(5) Filed as an exhibit to the Company s Current Report on Form 8-K, dated December 21, 2001, filed with the Commission on January 4, 2002 and incorporated by reference herein.

(6) Filed as an exhibit to the Company s Current Report on Form 8-K, dated March 29, 2005, filed with the Commission on March 29, 2005 and incorporated by reference herein.

(7) Filed as an exhibit to the Company s Annual Report on Form 10-K for the year ended December 31, 2003 and incorporated by reference herein.

(8) Filed as an exhibit to the Company s Annual Report on Form 10-K for the year ended December 31, 2004 and incorporated by reference herein.

(9) Filed as an exhibit to the Company s Annual Report on Form 10-K for the year ended December 31, 2007 and incorporated by reference herein.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

WIRELESS TELECOM GROUP, INC.

Date: March 30, 2009

By: /s/ James M. Johnson

James M. Johnson
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Name	Title	Date
/s/ Savio Tung Savio Tung	Chairman of the Board	March 30, 2009
/s/ James M. Johnson James M. Johnson	Chief Executive Officer and Vice Chairman of the Board	March 30, 2009
/s/ Paul Genova Paul Genova	President, Chief Financial Officer	March 30, 2009
/s/ Henry Bachman Henry Bachman	Director	March 30, 2009
/s/ Rick Mace Rick Mace	Director	March 30, 2009
/s/ Adrian Nemcek Adrian Nemcek	Director	March 30, 2009
/s/ Joseph Garrity Joseph Garrity	Director	March 30, 2009
/s/ Hazem Ben-Gacem Hazem Ben-Gacem	Director	March 30, 2009

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Wireless Telecom Group, Inc.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders
Wireless Telecom Group, Inc.
Parsippany, NJ

We have audited the accompanying consolidated balance sheets of Wireless Telecom Group, Inc. and Subsidiaries as of December 31, 2008 and 2007, and the related consolidated statements of operations, changes in shareholders equity, cash flows and the schedule listed in the accompanying index for the years then ended. These consolidated financial statements and schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements and the schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements and the schedule are free of material misstatement. An audit includes examining, on a test basis, evidence supporting amounts and disclosures in the consolidated financial statements and the schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the schedule. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Wireless Telecom Group, Inc. and Subsidiaries at December 31, 2008 and 2007 and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the schedule presents fairly, in all material respects, the information set forth therein.

/s/ PKF

Certified Public Accountants
A Professional Corporation

March 30, 2009
New York, New York

CONSOLIDATED BALANCE SHEETS

Wireless Telecom Group, Inc.

	December 31,	
	2008	**2007**
- ASSETS -		
CURRENT ASSETS:		
Cash and cash equivalents	**$ 6,627,397**	$ 10,387,250
Investment in short-term U.S. treasury securities, at cost	**5,016,092**	
Accounts receivable - net of allowance for doubtful accounts of $156,913 and $139,553 for 2008 and 2007, respectively	**7,278,561**	9,273,360
Income taxes recoverable	**1,294,000**	
Inventories	**10,028,314**	11,655,819
Deferred income taxes - current	**198,216**	121,581
Prepaid expenses and other current assets	**1,147,999**	961,151
TOTAL CURRENT ASSETS	**31,590,579**	32,399,161
PROPERTY, PLANT AND EQUIPMENT - NET	**5,835,178**	6,470,411
OTHER ASSETS:		
Goodwill	**1,351,392**	24,113,284
Other intangible assets net		11,550,000
Deferred income taxes non-current, net	**527,599**	885,894
Other assets	**3,970,861**	4,275,527
TOTAL OTHER ASSETS	**5,849,852**	40,824,705
TOTAL ASSETS	**$ 43,275,609**	$ 79,694,277
- LIABILITIES AND SHAREHOLDERS EQUITY -		
CURRENT LIABILITIES:		
Accounts payable	**$ 3,893,436**	$ 3,234,060
Accrued expenses and other current liabilities	**2,475,454**	3,363,578
Current portion of note payable bank	**369,059**	192,803
Income tax payable		148,256
Current portion of mortgage payable	**58,784**	54,517
TOTAL CURRENT LIABILITIES	**6,796,733**	6,993,214
LONG TERM LIABILITIES:		
Note payable - bank	**1,660,768**	2,120,828
Deferred income taxes		4,066,216
Mortgage payable	**2,834,645**	2,893,429
Deferred rent payable	**101,666**	105,640
Other long-term liabilities	**1,204,350**	1,964,267

TOTAL LONG TERM LIABILITIES	**5,801,429**	11,150,380
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS EQUITY:		
Preferred stock, $.01 par value, 2,000,000 shares authorized, none issued		
Common stock, $.01 par value, 75,000,000 shares authorized, 28,753,861 and 28,753,861 shares issued for 2008 and 2007, respectively, 25,658,203 and 25,954,161 shares outstanding for 2008 and 2007, respectively	**287,539**	287,539
Additional paid-in capital	**37,259,386**	36,785,310
Retained (deficit) earnings	**(47,072)**	31,217,993
Accumulated other comprehensive income	**724,408**	328,770
Treasury stock, at cost 3,095,658 and 2,799,700 shares, respectively	**(7,546,814)**	(7,068,929)
	30,677,447	61,550,683
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	**$ 43,275,609**	$ 79,694,277

The accompanying notes are an integral part of these consolidated financial statements.

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CONSOLIDATED STATEMENTS OF OPERATIONS

Wireless Telecom Group, Inc.

	For the Year Ended December 31,	
	2008	**2007**
NET SALES	**$ 51,031,140**	$ 56,602,050
COST OF SALES	**26,496,918**	25,064,409
GROSS PROFIT	**24,534,222**	31,537,641
OPERATING EXPENSES		
Research and development	**7,294,817**	8,758,858
Sales and marketing	**10,977,490**	12,318,501
General and administrative	**8,660,841**	7,297,593
Goodwill and intangible assets impairment	**33,131,901**	
TOTAL OPERATING EXPENSES	**60,065,049**	28,374,952
OPERATING INCOME (LOSS)	**(35,530,827)**	3,162,689
OTHER (INCOME) EXPENSE		
Interest (income)	**(200,683)**	(319,777)
Interest expense	**221,017**	224,975
Other (income) net	**(22,810)**	(884,148)
TOTAL OTHER (INCOME)	**(2,476)**	(978,950)
INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES	**(35,528,351)**	4,141,639
PROVISION (BENEFIT) FOR INCOME TAXES	**(4,263,286)**	684,983
NET INCOME (LOSS)	**$ (31,265,065)**	$ 3,456,656
NET INCOME (LOSS) PER COMMON SHARE:		
Basic	**$ (1.22)**	$ 0.13
Diluted	**$ (1.22)**	$ 0.13
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:		
Basic	**25,712,424**	25,896,547
Diluted	**25,712,424**	26,007,367

The accompanying notes are an integral part of these consolidated financial statements.

Explanation of Responses:

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY

Wireless Telecom Group, Inc.

	Common Stock	Additional Paid-in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Treasury Stock at Cost	Total
BALANCE AT DECEMBER 31, 2006	$ 286,536	$ 36,070,025	$ 27,761,337	$ (153,218)	$ (7,068,929)	$ 56,895,751
Net income			3,456,656			3,456,656
Foreign currency translation				(50,185)		(50,185)
Amount recognized for employee pension obligation				532,173		532,173
Comprehensive income						3,938,644
Stock options expensed		502,459				502,459
Stock options exercised	1,003	212,826				213,829
BALANCE AT DECEMBER 31, 2007	$ 287,539	$ 36,785,310	$ 31,217,993	$ 328,770	$ (7,068,929)	$ 61,550,683

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CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY

Wireless Telecom Group, Inc.

	Common Stock	Additional Paid-in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Treasury Stock at Cost	Total
Net (loss)			(31,265,065)			(31,265,065)
Foreign currency translation				17,198		17,198
Amount recognized for employee pension obligation				378,440		378,440
Comprehensive (loss)						(30,869,427)
Stock options expensed		474,076				474,076
Purchase of treasury stock					(477,885)	(477,885)
BALANCE AT DECEMBER 31, 2008	$ 287,539	$ 37,259,386	$ (47,072)	$ 724,408	$ (7,546,814)	$ 30,677,447

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CONSOLIDATED STATEMENTS OF CASH FLOWS

Wireless Telecom Group, Inc.

	For the Year Ended December 31,	
	2008	**2007**
CASH FLOW FROM OPERATING ACTIVITIES:		
Net income (loss)	**$ (31,265,065)**	$ 3,456,656
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:		
Depreciation	**963,915**	962,038
Amortization of purchased intangibles net	**908,100**	926,002
Impairment of goodwill and other intangible assets	**33,131,901**	
Stock compensation expense	**474,076**	502,459
Realized loss on sale of investment securities	**158,249**	
Deferred rent	**(3,974)**	(19,369)
Deferred income taxes	**(3,784,556)**	(644,891)
Recovery from (provision for) losses on accounts receivable	**19,850**	(166,586)
Changes in assets and liabilities:		
Accounts receivable	**1,415,313**	1,102,740
Inventory	**1,423,918**	(1,930,417)
Income taxes payable	**(208,266)**	(120,288)
Prepaid expenses, income taxes recoverable and other current assets	**(1,207,375)**	(182,158)
Other long-term liabilities	**(34,538)**	(752,007)
Accounts payable and accrued expenses	**561,886**	(3,343,989)
Net cash provided by (used for) operating activities	**2,553,434**	(209,810)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	**(377,107)**	(809,019)
Proceeds from dispositions of property, plant and equipment	**14,890**	43,627
Purchase of short-term securities	**(5,887,444)**	
Proceeds from sale of investment securities	**713,103**	
Net cash (used for) investing activities	**(5,536,558)**	(765,392)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments of mortgage note	**(54,517)**	(50,559)
Payment on bank note payable	**(192,598)**	
Acquisition of treasury stock	**(477,885)**	
Repayment of notes payable		(4,621,050)
Proceeds from exercise of stock options		213,829
Net cash (used for) financing activities	**(725,000)**	(4,457,780)
Effect of foreign currency on cash and cash equivalents	**(51,729)**	136,821
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	**(3,759,853)**	(5,296,161)
Cash and cash equivalents, at beginning of year	**10,387,250**	15,683,411
CASH AND CASH EQUIVALENTS, AT END OF YEAR	**$ 6,627,397**	$ 10,387,250

SUPPLEMENTAL INFORMATION:				
Cash paid during the year for:				
Taxes	**$**	**1,027,155**	$	1,474,536
Interest	**$**	**268,955**	$	977,980

The accompanying notes are an integral part of these consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Wireless Telecom Group, Inc.

NOTE 1 - DESCRIPTION OF COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization and Basis of Presentation:

Wireless Telecom Group, Inc. and Subsidiaries (the Company), develops and manufactures a wide variety of electronic noise sources, testing and measurement instruments and high-power, passive microwave components, which it sells to customers throughout the United States and worldwide through its foreign sales corporation and foreign distributors to commercial and government customers in the electronics industry. The consolidated financial statements include the accounts of Wireless Telecom Group, Inc. and its wholly-owned subsidiaries, Boonton Electronics Corporation, Microlab/FXR, Willtek Communications GmbH, WTG Foreign Sales Corporation and NC Mahwah, Inc. All intercompany transactions are eliminated in consolidation.

Use of Estimates:

In preparing financial statements in accordance with accounting principles generally accepted in the United States of America, management makes certain estimates and assumptions, where applicable, that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. While actual results could differ from those estimates, management does not expect such variances, if any, to have a material effect on the consolidated financial statements.

Concentrations of Credit Risk and Fair Value:

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

The Company maintains significant cash investments primarily with three financial institutions, which at times may exceed federally insured limits. The Company has not previously experienced any losses on such deposits. Additionally, 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 December 31, 2008, primarily all of the Company s receivables do pertain to the telecommunications industry.

The carrying amounts of cash and cash equivalents, short-term investments, trade receivables, other current assets and accounts payable approximate fair value due to the short-term nature of these instruments. The carrying value of notes and mortgage payable approximate fair value based on their terms which reflect market conditions existing as of December 31, 2008.

Cash, Cash Equivalents and Short Term Investments:

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 classifies investments as short-term investments if their original or remaining maturities are greater than three months and their remaining maturities are one year or less. As of December 31, 2008, the Company had approximately $3,980,000 and $996,000 invested in U.S. treasury bills with maturity dates of March 19, 2009 and June 4, 2009, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Wireless Telecom Group, Inc.

NOTE 1 - DESCRIPTION OF COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Accounts Receivable:

The Company accounts for uncollectible accounts under the allowance method. Potentially uncollectible accounts are provided for throughout the year and actual bad debts are written off to the allowance on a timely basis.

Inventories:

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. Inventory carrying value is net of inventory reserves of $2,729,259 and $3,089,829 for the years ended December 31, 2008 and 2007, respectively.

Inventories consist of:

	December 31,	
	2008	**2007**
Raw materials	**$ 4,969,592**	$ 6,265,451
Work-in-process	**2,223,859**	3,274,551
Finished goods	**2,834,863**	2,115,817
	$ 10,028,314	$ 11,655,819

Property, Plant and Equipment:

Fixed assets are reflected at cost, less accumulated depreciation. Depreciation and amortization are provided on a straight-line basis over the following useful lives:

Building and improvements	39 years
Machinery and equipment	5-10 years
Furniture and fixtures	5-10 years
Transportation equipment	3-5 years

Leasehold improvements are amortized over the remaining term of the lease and reflect the estimated life of the improvements. Repairs and maintenance are charged to operations as incurred; renewals and betterments are capitalized.

Goodwill and other intangible assets:

The Company reviews its goodwill and intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable, and also reviews goodwill annually in accordance with

Statement of Financial Accounting Standard (SFAS) No. 142. 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 units 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 values 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. Goodwill is attributable to two of the Company s reporting unit s, Willtek Communications GmbH and Microlab/FXR.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Wireless Telecom Group, Inc.

NOTE 1 - DESCRIPTION OF COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Intangible assets are evaluated for impairment when events or changes in circumstances indicate the carrying amount of the assets may not be recoverable. The Company considers various valuation methods to evaluate recoverability, such as discounted cash flows, comparable companies and comparable transactions. When such an impairment exists, the related assets are reduced to their net realizable value.

In accordance with this policy, during the fourth quarter of 2008, significant changes in assumptions and estimates with respect to future revenue and cash flows for the Company s German subsidiary, Willtek Communications GmbH, occurred. These changes resulted in a goodwill and intangible assets impairment charge of $22,761,891 and $10,370,010, respectively, which was recorded as a non-cash operating expense in the fourth quarter of 2008 and represents a 100% write-down of the goodwill and intangible assets associated with the acquisition of Willtek. The goodwill remaining on the Company s consolidated balance sheets is attributable to Micrlab/FXR.

The following table discloses the Company s intangible assets by classification, prior to the fourth quarter impairment charge, and presents each intangible asset class at their original cost less accumulated amortization, as of December 31, 2008:

Intangibles	**Cost**	**Accumulated Amortization**	**Net**
Customer relationships	$ 10,900,000	$ 2,543,330	$ 8,356,670
Trade names and trademarks	2,000,000	466,660	1,533,340
Developed technology	1,600,000	1,120,000	480,000
Totals	$ 14,500,000	$ 4,129,990	$ 10,370,010

For the twelve months ended December 31, 2008 and 2007, amortization expense of intangible assets was $1,180,000 per annum. No further charges will be required for amortization of intangible assets subsequent to 2008.

Revenue Recognition:

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

Research and Development Costs:

Research and development costs are charged to operations when incurred. The amounts charged for the years ended December 31, 2008 and 2007 were $7,294,817 and $8,758,858, respectively.

Advertising Costs:

Advertising expenses are charged to operations during the year in which they are incurred and aggregated $596,341 and $690,130 for the years ended December 31, 2008 and 2007, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Wireless Telecom Group, Inc.

NOTE 1 - DESCRIPTION OF COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Other Comprehensive Income (Loss):

Assets and liabilities of the Company s foreign subsidiaries are translated at period-end exchange rates, while income and expenses are translated at average rates for the period. Translation gains and losses are reported as a component of accumulated other comprehensive income (loss) on the statement of shareholders equity in accordance with SFAS No. 130, Reporting Comprehensive Income .

During the fiscal years ended December 31, 2008 and 2007, included in other comprehensive income (loss) was an adjustment for employee benefit obligations due to the provisions of SFAS No. 158, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans , as well as, foreign currency translation gains and losses.

Components of other comprehensive income (loss) consist of the following:

	Foreign Currency Translation	Pension Liability Adjustments	Total Accumulated Other Comprehensive Income (loss)
Balance at December 31, 2006	$ (283,695)	$ 130,477	$ (153,218)
Amounts recognized for SFAS No. 158		532,173	532,173
Foreign currency translation	(50,185)		(50,185)
Balance at December 31, 2007	$ (333,880)	$ 662,650	$ 328,770
Amounts recognized for SFAS No. 158		323,886	323,886
Foreign currency translation	71,752		71,752
Balance at December 31, 2008	**$ (262,128)**	**$ 986,536**	**$ 724,408**

Stock-Based Compensation:

The Company follows the provisions of SFAS 123(R), 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 in 2008 and the service-based options granted during 2007, the Company took into consideration guidance under SFAS 123(R) 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. Due to the Company s history with respect to incentive stock options, the estimated forfeiture rate included in the option valuation was zero.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Wireless Telecom Group, Inc.

NOTE 1 - DESCRIPTION OF COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Income Taxes:

The Company utilizes SFAS No. 109, Accounting for Income Taxes (SFAS No. 109) which requires use of the asset and liability approach of providing for income taxes. This statement requires recognition of deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax liabilities and assets are determined based on the differences between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Under SFAS No. 109, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company recognizes the benefits of Boonton and Willtek s net operating loss carry-forwards by applying a valuation allowance, which requires that the tax benefit be limited based on the weight of available evidence and the probability that some portion of the deferred tax asset will not be realized.

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 is calculated by dividing income available to common shareholders by the weighted average number of common shares outstanding for the period and, when dilutive, potential shares from stock options and warrants to purchase common stock, using the treasury stock method. In accordance with SFAS No. 128 Earnings Per Share (SFAS No. 128), the following table reconciles basic shares outstanding to fully diluted shares outstanding.

	Years Ended December 31,	
	2008	**2007**
Weighted average number of common shares outstanding Basic	**25,712,424**	25,896,547
Potentially dilutive stock options		110,820
Weighted average number of common and equivalent shares outstanding-Diluted	**25,712,424**	26,007,367

Common stock options were not included in the diluted earnings per share calculation for the year ended December 31, 2008 because the various option exercise prices were greater than the average market price of the common shares for the period presented. The weighted average number of potentially dilutive shares not included in diluted earnings per share for the years ended December 31, 2008 and 2007 was 3,509,607 and 2,427,349, respectively.

Recent Accounting Pronouncements Affecting the Company:

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements (SFAS 157). SFAS 157 provides guidance for using fair value to measure assets and liabilities. It also responds to investors requests for expanded information about the extent to which companies measure assets and liabilities at fair value, the information used to measure fair value, and the effect of fair value measurements on earnings. SFAS 157 applies whenever other standards require (or permit) assets or liabilities to be measured at fair value, and does not expand the use of fair value in any new circumstances. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. The adoption of SFAS 157 did not have a material impact on the Company s consolidated results of operations and financial condition. Additionally, in February 2008, the FASB issued FASB Staff Position (FSP) Financial Accounting Standard 157-2, which delays the effective date of SFAS No. 157 from January 1, 2008 to January 1, 2009 for all nonfinancial assets and liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis. The Company does not expect the adoption of this statement to have a material impact on its consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Wireless Telecom Group, Inc.

NOTE 1 - DESCRIPTION OF COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

In February 2007, FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities. SFAS No. 159 allows companies to choose to measure many financial instruments and certain other items at fair value. The statement requires that unrealized gains and losses on items for which the fair value option has been elected to be reported in earnings. SFAS No. 159 also amends certain provisions of SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007, although earlier adoption is permitted. The Company s adoption of this standard did not have a material effect on its financial position or results of operations.

In December 2007, the FASB issued two new statements: (a.) SFAS No. 141 (revised 2007), Business Combinations, and (b.) No. 160 Non-controlling Interests in Consolidated Financial Statements. These statements are effective for fiscal years beginning after December 15, 2008 and the application of these standards will improve, simplify and converge internationally the accounting for business combinations and the reporting of non-controlling interests in consolidated financial statements. The Company is in the process of evaluating the impact, if any, on SFAS 141(R) and SFAS 160 and does not anticipate that the adoption of these standards will have any impact on its consolidated financial statements.

(a.) SFAS No. 141(R) requires an acquiring entity in a business combination to: (i) recognize all (and only) the assets acquired and the liabilities assumed in the transaction, (ii) establish an acquisition-date fair value as the measurement objective for all assets acquired and the liabilities assumed, and (iii) disclose to investors and other users all of the information they will need to evaluate and understand the nature of, and the financial effect of, the business combination, and, (iv) recognize and measure the goodwill acquired in the business combination or a gain from bargain purchase.

(b.) SFAS No. 160 will improve the relevance, comparability and transparency of financial information provided to investors by requiring all entities to: (i) report non-controlling (minority) interests in subsidiaries in the same manner, as equity but separate from the parent s equity, in consolidated financial statements, (ii) net income attributable to the parent and to the non-controlling interest must be clearly identified and presented on the face of the consolidated statement of income, and (iii) any changes in the parent s ownership interest while the parent retains the controlling financial interest in its subsidiary be accounted for consistently.

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133, which amends and expands the disclosure requirements of SFAS 133 to require qualitative disclosure about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative agreements. This statement will be effective for the Company beginning in fiscal 2009. The Company does not expect the adoption of this standard to have an impact on the Company s consolidated financial statements.

In May 2008, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 162, The Hierarchy of Generally Accepted Accounting Principles . This standard is intended to improve financial reporting by identifying a consistent framework, or hierarchy, for selecting accounting principles to be used in preparing financial statements that are presented in conformity with US GAAP for non-governmental entities. SFAS No. 162 is effective 60 days following the SEC s approval of the Public Company Accounting Oversight Board amendments to AU Section 411, the meaning of Present Fairly in Conformity with GAAP . The Company does not expect the adoption of this standard to have an impact on the Company s consolidated financial statements.

Reclassifications:

Certain prior years information has been reclassified to conform to the current year s reporting presentation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Wireless Telecom Group, Inc.

NOTE 2 ACQUISITION:

On July 1, 2005, the Company acquired all of the outstanding equity of Willtek Communications GmbH, a limited liability corporation organized under the laws of Germany (Willtek), in exchange for 8,000,000 shares of the Company s common stock having an aggregate value of $21,440,000, based on a closing sale price of $2.68 per share of the Company s common stock on July 1, 2005.

The acquisition was recorded by allocating the cost of the assets acquired, including intangible assets and liabilities assumed, based on estimated fair values at the acquisition date. As of result of the 2005 acquisition, the Company recorded identifiable intangible assets of $14,500,000 which were being amortized over periods ranging from 5 to 15 years, and goodwill of $22,761,891.

In December 2008, the Company recorded a non-cash impairment charge of $22,761,891 and $10,370,010 for the goodwill and intangible assets of Willtek, respectively. Revenues and gross margins have declined during 2008 and expected bookings of a large new customer in the fourth quarter of 2008 did not materialize. Contributing factors to the impairment charge were the continuing decline in discounted cash flows of future revenues, reduced booking orders, declining gross margins and the overall industry slowdown in worldwide cellular handset demand. In assessing the fair value of Willtek, the Company considered various valuation methods, such as discounted cash flows, comparable companies and comparable tansactions.

In light of the current market challenges facing Willtek including significant technology research and development expenses required to remain competitive, management is currently evaluating several strategic alternatives and opportunities. These include, among others, a significant restructuring of the existing business, finding a strategic partner, making additional investments in technology research and development or a sale of some or all of the Willtek assets.

NOTE 3 - PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment, consists of the following:

	December 31,	
	2008	**2007**
Building and improvements	**$ 4,138,016**	$ 4,164,056
Machinery and equipment	**8,965,163**	9,697,008
Furniture and fixtures	**142,993**	605,043
Transportation equipment	**140,693**	140,693
Leasehold improvements	**992,055**	974,255
	14,378,920	15,581,055
Less: accumulated depreciation	**9,243,742**	9,810,644
	5,135,178	5,770,411
Add: land	**700,000**	700,000
	$ 5,835,178	$ 6,470,411

Depreciation expense of $963,915 and $962,038 was recorded for the years ended December 31, 2008 and 2007 respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Wireless Telecom Group, Inc.

NOTE 4 - OTHER ASSETS:

Other assets consists of the following:

	December 31,	
	2008	**2007**
Product demo assets	**$ 1,753,449**	$ 1,939,823
Cash surrender value of pension insurance	**1,716,224**	1,790,922
Technology license	**238,827**	294,325
Other miscellaneous assets	**262,361**	250,457
Total	**$ 3,970,861**	$ 4,275,527

NOTE 5 - ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES:

Accrued expenses and other current liabilities consists of the following:

	December 31,	
	2008	2007
Interest	**$ 167,360**	$ 128,144
Payroll and related benefits	**756,108**	1,346,940
VAT payable	**302,883**	365,591
Professional fees	**93,040**	103,103
Commissions	**35,148**	256,317
Goods received not invoiced	**222,446**	170,098
Warranty reserve	**128,250**	131,611
Other miscellaneous expenses	**770,219**	861,774
Total	**$ 2,475,454**	$ 3,363,578

NOTE 6 - MORTGAGE AND NOTE PAYABLE LONG TERM:

The Company has a mortgage payable secured by certain properties in the amount of $2,893,429. This note bears interest at an annual rate of 7.45%, requires monthly payments of principal and interest of $23,750 and matures in August 2013.

Maturities of mortgage principal payments for the next four years are $58,784, $63,386, $68,347 and $73,697, respectively, with a balloon payment due in the fifth and final year of $2,629,215.

In 2005, prior to acquisition of Willtek Communications GmbH, Willtek received a bank loan in the amount of Euro 1,570,800. Proceeds related to this loan may only be used for research and development projects in Germany. The outstanding balance converted to U.S. dollars at December 31, 2008 is $2,029,827 of which $369,059 is current. This note was interest free through June 2008 and has been bearing interest at the annual rate of 4% since July 2008. The note requires twelve semi-annual payments which began December 2008 until maturity at June 2014. The Company is considering satisfying the entire balance due on this note in the second quarter of 2009.

Maturities of scheduled bank loan principal payments are $369,059 annually for the next five years and $184,532 thereafter, effectively the final payment due.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Wireless Telecom Group, Inc.

NOTE 7 - OTHER LONG-TERM LIABILITIES:

Other long-term liabilities consist of the following:

	December 31,	
	2008	**2007**
Pension provision and similar obligations	**$ 1,204,350**	$ 1,619,538
Deferred rent acquisition		316,643
Other miscellaneous		28,086
Total	**$ 1,204,350**	$ 1,964,267

NOTE 8 - SHAREHOLDERS EQUITY:

During 2000, the stockholders approved the Company s 2000 Stock Option Plan. The 2000 Plan provides for the grant of Incentive Stock Options (ISOs) and Non-Qualified Stock Options (NQSOs) in compliance with the Code to employees, officers, directors, consultants and advisors of the Company who are expected to contribute to the Company s future growth and success. 1,500,000 shares of Common Stock are reserved for issuance upon the exercise of options under the 2000 Plan. Prior to 2000, the Company had established an Incentive Stock Option Plan under which options to purchase up to 1,750,000 shares of common stock were available to be granted to officers and other key employees.

On July 6, 2006, the Company s Amended and Restated 2000 Stock Option Plan, which authorizes the granting of options relating to an additional 2,000,000 shares of common stock, was approved by shareholder vote.

On September 17, 2008, shareholders further approved an amendment to the Company s Amended and Restated 2000 Stock Option Plan providing for an additional 1,000,000 shares of the Company s common stock that may be available for future grants under the plan.

All service-based options granted have 10-year terms and, from the date of grant, vest annually and become fully exercisable after a maximum of five years. Performance-based options granted have 10-year terms and vest and become fully exercisable when determinable performance targets are achieved. Performance targets are agreed to, and approved by, the Company s board of directors.

Under the Company s stock option plans, options may be granted to purchase shares of the Company s common stock exercisable at prices generally equal to the fair market value on the date of the grant.

On April 11, 2008, upon the unanimous recommendation of the Compensation Committee, the Board of Directors approved the grant of performance-based stock options to the Company s Chief Executive Officer (CEO), President and Chief Financial Officer (CFO) and Senior Vice President of Global Customer Operations and Chief Marketing Officer (CMO). Accordingly, the Company entered into stock option agreements dated as of April 11, 2008, pursuant to which the Company s CEO, CFO and CMO were awarded options to purchase up to 540,000, 220,000 and 120,000 shares of the Company s common stock, respectively, at an exercise price of $1.42 per share, representing a 5% premium over the closing price of the Company s common stock reported on the NYSE Amex (formerly the American Stock Exchange) on April 11, 2008, the date of grant.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Wireless Telecom Group, Inc.

NOTE 8 - SHAREHOLDERS EQUITY (Continued):

Under the terms of the stock option agreements, provided the executive remains in the continuous service of the Company at such times, the options will fully vest and become exercisable upon the earlier to occur of (a) the date on which the Board shall have determined that both of the following shall have occurred in any one fiscal year after the fiscal year ending December 31, 2007: (1) the Company s consolidated operating income for such fiscal year shall have increased by 25% as compared to the Company s consolidated operating income for its fiscal year ended December 31, 2007 (i.e., it shall have exceeded approximately $3,950,000) and (2) the Company s consolidated net sales for such fiscal year shall have increased by 15% as compared to the Company s consolidated net sales for its fiscal year ended December 31, 2007 (i.e., it shall have exceeded approximately $65,000,000) or (b) the date on which a Change-of-Control (as defined in the option agreements) of the Company is consummated, provided that all consideration in exchange therefor to which the executive may become entitled as a result of such Change-of-Control of the Company shall not be delivered to the executive until the earlier of (i) the date on which the executive s employment with the Company is Involuntarily Terminated (as defined in the option agreements) following the consummation of such Change-of-Control or (ii) the date that is six months next following the date on which such Change-of-Control is consummated.

A summary of stock option activity, and related information for the years ended December 31, follows:

	Options	Weighted Average Exercise Price
Outstanding, December 31, 2006	2,361,897	2.47
Granted	493,000	2.70
Exercised	(100,310)	2.13
Canceled	(85,600)	2.29
Outstanding, December 31, 2007	2,668,987	2.53
Granted	**880,000**	**1.42**
Exercised		
Forfeited	**(22,500)**	**2.28**
Canceled	**(189,520)**	**2.34**
Outstanding, December 31, 2008	**3,336,967**	**2.25**
Options exercisable:		
December 31, 2007	1,313,070	2.51
December 31, 2008	**1,698,884**	**2.54**

The options outstanding and exercisable as of December 31, 2008 are summarized as follows:

Range of exercise prices	Weighted average exercise price	Options Outstanding	Options Exercisable	Weighted average remaining life
$1.69 - $2.25	$ 1.92	204,000	204,000	2.6 years
$2.28 - $3.13	$ 2.27	3,132,967	1,494,884	5.9 years
		3,336,967	1,698,884	

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Explanation of Responses:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Wireless Telecom Group, Inc.

NOTE 8 - SHAREHOLDERS EQUITY (Continued):

As of December 31, 2008, the unearned compensation related to Company granted service-based incentive stock options is $698,080. The unearned compensation related to Company granted service-based incentive stock options as of December 31, 2007 was $1,172,156. The fair value, and unamortized amount, of performance-based options granted by the Company as of December 31, 2008 is $566,766. This unearned compensation will not be recognized until the performance conditions described above are achieved.

The fair value of options awarded during 2008 was estimated on the date of grant using the Black-Scholes option-pricing model and included the following range of assumptions; dividend yield of 0%, risk-free interest rate of 2.57%, and expected option lives of 4 years. Volatility assumption was 55%. The forfeiture rate was assumed to be 0%. For 2007, the fair value of options awarded was also estimated on the date of grant using the Black-Scholes option-pricing model and included the following range of assumptions; dividend yield of 0%, risk-free interest rates ranging from 4.74% to 4.98%, and expected option lives of 4 years. Volatility assumptions ranged from 57% to 58%. The forfeiture rate was assumed to be 0%.

The per share weighted average fair value of options granted in the years 2008 and 2007 were $0.63 and $1.27, respectively.

NOTE 9 - OPERATIONAL INFORMATION AND EXPORT SALES:

Sales:

The Company and its subsidiaries develop and manufacture various types of electronic test equipment and are aggregated into a single operating segment based on similar economic characteristics, products, services, customers, U.S. Government regulatory requirements, manufacturing processes and distribution channels.

For the years ended December 31, 2008 and 2007, with the exception of one customer in 2008 whom accounted for approximately 8% of total sales, no customer accounted for more than 3% of total sales.

In addition to its in-house sales staff, the Company uses various manufacturers representatives to sell its products. For the years ended December 31, 2008 and 2007, no representative accounted for more than 10% of total sales.

Regional Assets and Sales:

The Company, in accordance with SFAS No. 131 Disclosures about Segments of an Enterprise and Related Information , has disclosed the following segment information:

	As of December 31, 2008	2007
Long-lived assets		
United States	**$ 4,858,059**	$ 5,365,285
Europe	**977,119**	1,105,126
	$ 5,835,178	$ 6,470,411

	For the Twelve Months Ended December 31, 2008	2007
Revenues by Region		
Americas	**$ 26,039,550**	$ 24,560,835

Europe, Middle East, Africa (EMEA)	**19,485,480**	23,356,704
Asia	**5,506,110**	8,684,511
	$ 51,031,140	$ 56,602,050

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Wireless Telecom Group, Inc.

NOTE 9 - OPERATIONAL INFORMATION AND EXPORT SALES (Continued):

Purchases

In 2008 and 2007, one third-party supplier accounted for more than 21% and 20% of the Company s total inventory purchases, respectively.

NOTE 10 - RETIREMENT PLANS:

The Company has a 401(k) profit sharing plan covering all eligible employees. Company contributions to the plan for the years ended December 31, 2008 and 2007 aggregated $345,945 and $344,716, respectively.

The Company also maintains a non-contributory, defined benefit pension plan covering 16 active and 29 former employees of our German subsidiary. The Company uses a December 31 measurement date for its defined benefit pension plan. The accumulated benefit obligation as of 2008 and 2007 was $1,535,972 and $1,937,842, respectively. As of December 31, 2008 and 2007, the pension liability of $1,204,350 and $1,619,538, respectively, was recorded in other long-term liabilities. There were no contributions made to this plan by the Company in 2008 and there are no plans to make any contributions in 2009.

The Company purchased life insurance to cover the actual net present value of the pension obligations. The cash surrender value of these insurance policies amounted to approximately $1,716,000 and $1,791,000 as of December 31, 2008 and 2007, respectively. The amounts are independent of the defined benefit plan and do not constitute assets of the plan.

The funded status of the defined benefit plans is as follows:

	2008	2007
Change in projected benefit obligation:		
Beginning of year	**$ 2,001,817**	$ 2,260,259
Service cost	**20,665**	38,510
Interest cost	**91,961**	97,933
Actuarial (gain)	**(378,440)**	(532,173)
Benefits paid and expenses	**(87,748)**	(85,678)
Effect of foreign currency translation	**(68,982)**	222,966
Projected benefit obligation at end of year	**$ 1,579,273**	$ 2,001,817
Change in fair value of plan assets:		
Beginning of year	**$ 382,279**	$ 370,463
Actual return on plan assets	**11,456**	11,542
Employer contribution		
Settlement of capital	**(8,155)**	(37,719)
Effect of foreign currency translation	**(10,656)**	37,993
Fair value of plan assets at end of year	**$ 374,924**	$ 382,279

	2008	**2007**
Excess of projected benefit obligation over fair value of plan assets	**$ 1,204,350**	$ 1,619,538
Unrecognized gain	**986,536**	665,411

Accrued pension cost	**$ 2,190,886**	$ 2,284,949
Required incremental asset under SFAS No. 158	**(986,536)**	(665,411)
Accrued pension cost at end of period	**$ 1,204,350**	$ 1,619,538

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Wireless Telecom Group, Inc.

NOTE 10 - RETIREMENT PLANS (Continued):

The weighted average assumptions used to determine net pension cost and benefit obligations for the years ended December 31, 2008 and 2007 are as follows:

	2008	2007
Discount rate benefit obligation	**6.25%**	4.50%
Discount rate pension cost	**6.25%**	4.50%
Expected long-term return on plan assets	**3.00%**	3.00%
Rate of compensation increase (Staff plan only)	**2.00%**	2.00%

The following table presents the components of net periodic pension cost for the years ended December 31, 2008 and 2007:

	2008	2007
Service cost	**$ 20,665**	$ 38,510
Interest cost	**91,961**	97,933
Expected return on plan assets	**(11,456)**	(11,542)
Recognized net actuarial (gain)	**(69,351)**	(2,761)
Net periodic pension expense	**$ 31,819**	$ 122,140

The investment objectives for the pension plan s assets are designed to generate returns that will enable the plan to meet its future obligation. The precise amounts for which this obligation will be settled depend on future events. The obligations are estimated using actuarial assumptions, based on the current economic environment. The pension plan s investment strategies utilize fixed income insurance annuity investments to provide income and to preserve capital. Risks include, among others, the likelihood of the pension plan becoming under funded, therby increasing the pension plan s dependence on contributions of the Company. Professional advisors manage the pension plan s assets and performance is evaluated by management and adjusted periodically based on market conditions.

At December 31, 2008 and 2007, plan assets consisted of fixed income insurance annuities.

The following benefit payments are expected to be paid as follows:

2009	$ 99,158
2010	106,780
2011	109,413
2012	111,709
2013	114,893
2014-2018	626,615

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Wireless Telecom Group, Inc.

NOTE 11 - INCOME TAXES:

The components of income tax expense (benefit) related to income are as follows:

	Year Ended December 31,	
	2008	**2007**
Current:		
Federal	**$ (3,532,155)**	$ 790,976
State	**84,183**	392,280
Foreign	**285,292**	49,343
Deferred:		
Federal	**(1,023,606)**	(513,116)
State	**(77,000)**	(34,500)
	$ (4,263,286)	$ 684,983

The following is a reconciliation of the maximum statutory federal tax rate to the Company s effective tax rate:

	Year Ended December 31,	
	2008	**2007**
	% of Pre Tax Earnings	**% of Pre Tax Earnings**
Statutory federal income tax rate	**(34.0%)**	34.0%
State income tax net of federal tax benefit	**.2**	6.3
Utilization of net operating loss carry-forward	**(3.6)**	(10.8)
Valuation allowance	**24.8**	(2.8)
Over/under accrual adjustment	**(.4)**	(2.2)
Other	**1.0**	(8.0)
	(12.0%)	16.5%

The components of deferred income taxes are as follows:

	December 31,	
	2008	**2007**
Deferred tax assets:		
Uniform capitalization of inventory costs for tax purposes	**$ 178,381**	$ 44,070

Allowances for doubtful accounts	**40,554**	32,191
Accrued bonus	**10,000**	139,735
Tax effect of goodwill	**89,180**	191,884
Book depreciation over tax	**(30,720)**	115,795
Net operating loss carryforward	**7,384,560**	6,834,028
Investment in foreign subsidiary	**7,900,000**	
	15,571,955	7,357,703
Valuation allowance for deferred tax assets	**(14,846,140)**	(6,350,228)
	$ 725,815	$ 1,007,475
Deferred tax liability due to acquisition	**$**	$ 4,066,216

The Company has a domestic net operating loss carryforward at December 31, 2008 of approximately $1,500,000 which expires in 2013. The Company also has a foreign net operating loss carryforward at December 31, 2008 of approximately $21,900,000 which has no expiration.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Wireless Telecom Group, Inc.

NOTE 11 - INCOME TAXES (Continued)

Realization of the Company s deferred tax assets is dependent upon the Company generating sufficient taxable income in the appropriate tax jurisdictions 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 December 31, 2008. 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 is more likely than not that the Company will realize the benefits of its deferred tax assets, net of valuation allowances as of December 31, 2008.

The Company files income tax returns in the U.S. (federal and various states), German and French taxing jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal and state tax examinations in its major tax jurisdictions for periods before 2005. The Company is no longer subject to tax examinations in Germany and France for periods before 2002.

The Company does not have any significant unrecognized tax benefits and does not anticipate significant increase or decrease in unrecognized tax benefits within the next twelve months. Amounts recognized for income tax related interest and penalties as a component of the provision for income taxes are immaterial for the years ended December 31, 2008 and 2007.

NOTE 12 - COMMITMENTS AND CONTINGENCIES:

Warranties:

The Company provides one-year warranties on of all 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. The costs related to these warranties are not certain, however, based upon past experience, these costs have been minimal.

Leases:

The Company leases a 45,700 square foot facility located in Hanover Township, Parsippany, New Jersey, which is currently being used as its principal corporate headquarters and manufacturing plant. The term of the lease agreement is for ten years beginning on October 1, 2001 and ending September 30, 2011 and can be renewed for one five-year period at fair market value to be determined at term expiration.

Additionally, the Company leases a 36,000 square foot facility located in Ismaning, Germany, which is currently being used as Willtek s headquarters and manufacturing plant. The lease terminates on December 31, 2010 and can be renewed for two five-year periods twelve months prior to the end of the expiring term.

The Company is also responsible for its proportionate share of the cost of utilities, repairs, taxes, and insurance. The future minimum lease payments are shown below:

2009	1,387,868
2010	1,310,680
2011	369,350
2012	34,216
2013	34,216
Thereafter	25,662
	$ 3,161,992

Rent expense for the years ended December 31, 2008 and 2007 was $1,445,346 and $1,372,598, respectively.

Explanation of Responses:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Wireless Telecom Group, Inc.

NOTE 12 - COMMITMENTS AND CONTINGENCIES (Continued):

On July 14, 1998 the Company entered into a 15-year lease for a 44,000 square foot facility located in Mahwah, New Jersey. This new facility was leased to serve as the headquarters and manufacturing plant for one of the Company s divisions, which was sold in 1999. In December 1999, the Company exercised its option to purchase this building. The Company leases certain property to an unrelated third party. This lease, which terminates in 2013, provides for annual rental income of $385,991 throughout the lease term. The current tenant has an exclusive option to purchase the property, at a predetermined purchase price of approximately $3,500,000, up through August 1, 2012 during the lease term.

The Company leases certain equipment under operating lease arrangements. These operating leases expire in various years through 2012. All leases may be renewed at the end of their respective leasing periods. Future payments consist of the following at December 31, 2008:

2009	$ 208,729
2010	169,526
2011	149,134
2012	57,210
	$ 584,599

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 notified the Company that if the NJDEP investigation proves to have interfered with a sale of the property, the owner may seek to hold the Company liable for any loss it suffers as a result. However, corporate counsel has informed management that, in their opinion, the owner would not prevail in any lawsuit filed due to the imposition by law of the statute of limitations.

Costs charged to operations in connection with the water management plan amounted to approximately $19,000 and $200 for the years ended December 31, 2008 and 2007, respectively. 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.

Risks and Uncertainties:

The Company is subject to contingent liabilities for employee notice and severance payments for any actions taken by management to restructure or reduce employees in Germany, the United States or other worldwide locations. These payments could have a significantly negative impact on the Company s cash flow and results of operations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Wireless Telecom Group, Inc.

NOTE 13 - SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED):

The following is a summary of selected quarterly financial data (in thousands, except per share amounts).

2008	**Quarter**			
	1st	**2nd**	**3rd**	**4th**
Net sales	**$ 12,989**	**$ 13,008**	**$ 13,608**	**$ 11,426**
Gross profit	**6,165**	**6,215**	**6,876**	**5,278**
Operating (loss)	**(557)**	**(1,067)**	**(92)**	**(33,815)**
Net (loss)	**(529)**	**(990)**	**(510)**	**(29,236)**
Diluted net (loss) per share	**$ (.02)**	**$ (.04)**	**$ (.02)**	**$ (1.14)**

2007	**Quarter**			
	1st	**2nd**	**3rd**	**4th**
Net sales	$ 14,129	$ 14,274	$ 13,992	$ 14,207
Gross profit	7,626	7,962	7,831	8,119
Operating income	790	742	744	887
Net income	663	1,004	942	848
Diluted net income per share	$ .03	$ .04	$ .04	$ .03

WIRELESS TELECOM GROUP, INC.
SCHEDULE II
VALUATION AND QUALIFYING ACCOUNTS
FOR EACH OF THE TWO YEARS ENDED DECEMBER 31,

Allowance for doubtful accounts:

	Balance at Beginning of year	Provisions	Deductions	Translation adjustment	Balance at end of year
2008	$ 139,553	$ 137,552	$ (117,701)	$ (2,491)	$ 156,913
2007	298,290	160,315	(326,901)	7,849	139,553

Allowance for deferred tax valuation:

	Balance at beginning of year	Provisions	Reductions	Translation adjustment	Balance at end of year
2008	$ 6,350,228	$ 7,900,000	$ (79,088)	$ 675,000	$ 14,846,140
2007	6,064,026		(338,798)	625,000	6,350,228

Reserves for inventories:

	Balance at beginning of year	Provisions	Reductions	Translation adjustment	Balance at end of year
2008	$ 3,089,829	$ 50,680	$ (323,977)	$ (87,273)	$ 2,729,259
2007	3,440,122	10,768	(607,947)	246,886	3,089,829

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