

WIRELESS TELECOM GROUP INC  
Form 10-Q  
August 12, 2010

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

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended **June 30, 2010**

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission file number  
1-11916

**WIRELESS TELECOM GROUP, INC.**

(Exact name of registrant as specified in its charter)

New Jersey (State or Other Jurisdiction of Incorporation or Organization)	22-2582295 (I.R.S. Employer Identification No.)
25 Eastmans Road Parsippany, New Jersey (Address of Principal Executive Offices)	07054 (Zip Code)
(973) 386-9696 (Registrant's Telephone Number, Including Area Code)	

Not Applicable  
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company (see the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act). (Check one):

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Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

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

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## PART 1 FINANCIAL INFORMATION

## Item 1 Financial Statements

WIRELESS TELECOM GROUP, INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2010	December 31, 2009
	(unaudited)	
<b>- ASSETS -</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 11,337,475	\$ 14,076,382
Accounts receivable - net of allowance for doubtful accounts of \$86,436 and \$155,173 for 2010 and 2009, respectively	4,453,941	3,023,318
Income taxes recoverable	1,604,772	1,910,846
Inventories	7,435,070	6,944,231
Deferred income taxes-current	324,724	464,192
Prepaid expenses and other current assets	697,220	523,642
Assets held for sale		6,978,163
<b>TOTAL CURRENT ASSETS</b>	<b>25,853,202</b>	<b>33,920,774</b>
<b>PROPERTY, PLANT AND EQUIPMENT - NET</b>	<b>4,293,799</b>	<b>4,436,339</b>
<b>OTHER ASSETS:</b>		
Goodwill	1,351,392	1,351,392
Deferred income taxes - non-current	4,834,716	4,560,312
Other assets	911,547	863,023
<b>TOTAL OTHER ASSETS</b>	<b>7,097,655</b>	<b>6,774,727</b>
<b>TOTAL ASSETS</b>	<b>\$ 37,244,656</b>	<b>\$ 45,131,840</b>
<b>- LIABILITIES AND SHAREHOLDERS EQUITY -</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 808,520	\$ 904,542
Accrued expenses and other current liabilities	2,337,717	1,930,225
Current portion of note payable - bank		375,238
Current portion of mortgage payable	65,820	63,386
Liabilities held for sale		4,493,409
<b>TOTAL CURRENT LIABILITIES</b>	<b>3,212,057</b>	<b>7,766,800</b>
<b>LONG TERM LIABILITIES:</b>		
Note payable - bank		1,313,333
Mortgage payable	2,737,729	2,771,259
Deferred rent payable	64,261	90,946
<b>TOTAL LONG TERM LIABILITIES</b>	<b>2,801,990</b>	<b>4,175,538</b>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>SHAREHOLDERS EQUITY:</b>		

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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 shares issued, 25,658,203 shares outstanding	<b>287,539</b>	287,539
Additional paid-in-capital	<b>37,629,023</b>	37,528,841
Retained earnings	<b>860,861</b>	1,985,181
Accumulated other comprehensive income		934,755
Treasury stock at cost, 3,095,658 shares	<b>(7,546,814)</b>	(7,546,814)
<b>TOTAL SHAREHOLDERS EQUITY</b>	<b>31,230,609</b>	33,189,502
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>\$ 37,244,656</b>	\$ 45,131,840

See accompanying notes

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2010	2009	2010	2009
<b>NET SALES</b>	<b>\$ 6,080,604</b>	\$ 5,155,815	<b>\$ 12,217,946</b>	\$ 10,683,831
<b>COST OF SALES</b>	<b>3,124,767</b>	2,933,302	<b>6,459,062</b>	5,835,251
<b>GROSS PROFIT</b>	<b>2,955,837</b>	2,222,513	<b>5,758,884</b>	4,848,580
<b>OPERATING EXPENSES</b>				
Research and development	553,735	533,795	1,095,067	1,053,723
Sales and marketing	966,232	1,066,124	1,952,488	2,143,423
General and administrative	1,114,730	1,241,244	2,078,645	2,466,440
<b>TOTAL OPERATING EXPENSES</b>	<b>2,634,697</b>	2,841,163	<b>5,126,200</b>	5,663,586
<b>OPERATING INCOME (LOSS)</b>	<b>321,140</b>	(618,650)	<b>632,684</b>	(815,006)
<b>OTHER (INCOME) EXPENSE</b>				
Interest (income)	(3,327)	(6,080)	(6,778)	(32,004)
Interest expense	53,189	54,329	106,671	108,929
Other (income) - net	(42,766)	(72,647)	(104,896)	(65,616)
<b>TOTAL OTHER (INCOME) EXPENSE</b>	<b>7,096</b>	(24,398)	<b>(5,003)</b>	11,309
<b>INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAX</b>	<b>314,044</b>	(594,252)	<b>637,687</b>	(826,315)
<b>PROVISION (BENEFIT) FOR INCOME TAXES</b>	<b>15,809</b>	(396,098)	<b>19,154</b>	(404,693)
<b>INCOME (LOSS) FROM CONTINUING OPERATIONS</b>	<b>298,235</b>	(198,154)	<b>618,533</b>	(421,622)
<b>INCOME (LOSS) FROM DISCONTINUED OPERATIONS - NET OF TAXES</b>	<b>(458,493)</b>	121,247	<b>(1,742,853)</b>	58,244
<b>NET (LOSS)</b>	<b>\$ (160,258)</b>	\$ (76,907)	<b>\$ (1,124,320)</b>	\$ (363,378)
<b>INCOME (LOSS) PER COMMON SHARE:</b>				
<b>BASIC AND DILUTED</b>				
Continuing operations	\$ 0.01	\$ (0.01)	\$ 0.02	\$ (0.02)
Discontinued operations	\$ (0.02)	\$ 0.00	\$ (0.07)	\$ 0.00

<b>NET (LOSS) PER COMMON SHARE:</b>	<b>\$</b>	<b>(0.01)</b>	<b>\$</b>	<b>(0.01)</b>	<b>\$</b>	<b>(0.05)</b>	<b>\$</b>	<b>(0.02)</b>
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See accompanying notes

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

	For the Six Months Ended June 30,	
	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net (loss)	\$ (1,124,320)	\$ (363,378)
Adjustments to reconcile net (loss) to net cash (used for) operating activities:		
Depreciation and amortization	366,258	452,288
Loss on sale of discontinued operations	430,565	
Stock compensation expense	100,182	178,548
Deferred rent	(26,685)	1,510
Deferred income taxes	(134,936)	(15,808)
Provision for losses on accounts receivable	(93,630)	99,875
Changes in assets and liabilities:		
Accounts receivable	(526,839)	(1,908,176)
Inventory	(814,734)	763,824
Prepaid expenses and other assets	34,653	(410,168)
Accounts payable, accrued expenses and other current liabilities	(1,922,599)	(1,022,437)
<b>Net cash (used for) operating activities</b>	<b>(3,712,085)</b>	<b>(2,223,922)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditures	(120,690)	(55,538)
Proceeds from disposition of Willtek assets - net	2,749,975	
Proceeds from sale of short term securities - net		2,979,969
<b>Net cash provided by investing activities</b>	<b>2,629,285</b>	<b>2,924,431</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments of mortgage note	(31,096)	(28,838)
Payment of bank note	(1,475,149)	(174,774)
<b>Net cash (used for) financing activities</b>	<b>(1,506,245)</b>	<b>(203,612)</b>
Effect of foreign currency on cash and cash equivalents	(149,862)	(57,365)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(2,738,907)</b>	<b>439,532</b>
Cash and cash equivalents, at beginning of period	<b>14,076,382</b>	<b>6,627,397</b>
<b>CASH AND CASH EQUIVALENTS, AT END OF PERIOD</b>	<b>\$ 11,337,475</b>	<b>\$ 7,066,929</b>
<b>SUPPLEMENTAL INFORMATION:</b>		
Cash paid during the period for:		
Taxes	\$ 278,891	\$ 257,850



Interest

See accompanying notes

\$ 133,229 \$ 148,881

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES AND POLICIES**

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

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

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

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

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

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

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

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

Concentrations of credit risk with respect to accounts receivable are limited due to the Company s large customer base. However, at June 30, 2010, 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 the Company s mortgage payable approximates fair value based on its terms which reflect market conditions existing as of June 30, 2010. At June 30, 2010, the fair value (estimated based upon expected cash outflows discounted at current market rates) and carrying value of the fixed rate mortgage payable amounted to \$3,168,403 and \$2,803,549, respectively.

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

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

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

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

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

**NOTE 2 RECENT ACCOUNTING PRONOUNCEMENTS**

In January 2010, the Financial Accounting Standards Board ( FASB ) issued Accounting Standards Update ( ASU ) 2010-06, Improving Disclosures about Fair Value Measurements. This update provides amendments to Subtopic 820-10 that requires new disclosure as follows: 1) Transfers in and out of Levels 1 and 2. A reporting entity should disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and describe the reasons for the transfers. 2) Activity in Level 3 fair value measurements.

In the reconciliation for fair value measurements using significant unobservable inputs (Level 3), a reporting entity should present separately information about purchases, sales, issuances, and settlements (that is, on a gross basis rather than as one net number). This update provides amendments to Subtopic 820-10 that clarify existing disclosures as follows: 1) Level of disaggregation. A reporting entity should provide fair value measurement disclosures for each class of assets and liabilities. A class is often a subset of assets or liabilities within a line item in the statement of financial position. A reporting entity needs to use judgment in determining the appropriate classes of assets and liabilities. 2) Disclosures about inputs and valuation techniques. A reporting entity should provide disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements. Those disclosures are required for fair value measurements that fall in either Level 2 or Level 3.

The new disclosures and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. The adoption of ASU 2010-06 did not have an impact on the Company's June 30, 2010 condensed consolidated financial statements. The Company does not expect the adoption of the level 3 portion of the update to have a material impact on its condensed consolidated financial statements.

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

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

**NOTE 3 DISCONTINUED OPERATIONS**

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

Additionally, Willtek's operating activities through the May 7, 2010 sale date are included in the Company's condensed consolidated statement of operations as discontinued operations.

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

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

As a result of the sale of Willtek, the Company has recorded a loss on sale of discontinued operations of \$3,778,687, which represents the excess of net assets, and the related realization of other comprehensive income, over the net sales price. Of this amount, \$430,565 was recognized during the six-months ended June 30, 2010 to reflect a change in the estimate of the fair value less the cost to dispose Willtek. The loss on sale of discontinued operations has been reflected as a reduction of assets held for sale in the May 7, 2010 column in the table above.

The following table summarizes the components of discontinued operations:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2010	2009	2010	2009
Net sales	\$ 1,533,173	\$ 6,347,074	\$ 6,642,152	\$ 12,180,801
Gross profit	403,038	3,313,346	2,609,331	6,338,365

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Income (loss) from discontinued operations before taxes	(638,543)	127,233	(1,313,032)	64,230
Provision (benefit) for income taxes	(985)	5,986	(744)	5,986
Income (loss) from discontinued operations	(637,558)	121,247	(1,312,288)	58,244
Gain (loss) on sale of discontinued operations	179,065		(430,565)	
Net income (loss) from discontinued operations	<u>\$ (458,493)</u>	<u>\$ 121,247</u>	<u>\$ (1,742,853)</u>	<u>\$ 58,244</u>

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

**NOTE 3 DISCONTINUED OPERATIONS (Continued)**

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

	For the Six Months Ended June 30,	
	2010	2009
Cash flows from operating activities	\$ (64,445)	\$ 16,624
Cash flows from investing activities	(3,136)	(25,325)
Cash flows from financing activities	\$ (256,702)	\$ 417,408

**NOTE INCOME TAXES****4**

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

The components of deferred income taxes are as follows:

	June 30, 2010	December 31, 2009
Deferred tax assets:		
Uniform capitalization of inventory costs for tax purposes	\$ 198,310	\$ 185,322
Allowances for doubtful accounts	34,574	62,069
Accruals	91,840	216,800
Tax effect of goodwill	(64,876)	(13,524)
Book depreciation over tax	10,980	(7,644)
Net operating loss carryforward	18,054,718	18,572,869
	<u>18,325,546</u>	<u>19,015,892</u>
Valuation allowance for deferred tax assets	(13,166,106)	(13,991,388)
	<u>\$ 5,159,440</u>	<u>\$ 5,024,504</u>

Under ASC 740, the Company must recognize the tax benefit from an uncertain position only if it is more-likely-than-not the tax position will be sustained on examination by the taxing authority, based on the technical merits of the position. The tax

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benefits recognized in the financial statements attributable to such position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon the ultimate resolution of the position.

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

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

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

**NOTE - INCOME (LOSS) PER COMMON SHARE****5**

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	<b>2010</b>	2009	<b>2010</b>	2009
Weighted average common shares outstanding	<b>25,658,203</b>	25,658,203	<b>25,658,203</b>	25,658,203
Potentially dilutive stock options	<b>42,744</b>		<b>40,502</b>	
Weighted average common shares outstanding, assuming dilution	<b>25,700,947</b>	25,658,203	<b>25,698,705</b>	25,658,203

Common stock options are included in the diluted earnings (loss) per share calculation for the periods presented when the various option exercise prices are greater than the average market price of the common shares for each respective period presented. The weighted average number of options not included in diluted earnings (loss) per share, because the effects are anti-dilutive, was 2,480,626 and 3,336,967 for the three-months ended June 30, 2010 and 2009, respectively. For the six months ended June 30, 2010, the weighted average number of potentially dilutive options not included in diluted earnings (loss) per share was 2,525,430 and 3,336,967, respectively.

**NOTE SHAREHOLDERS EQUITY****6**

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

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	<b>2010</b>	2009	<b>2010</b>	2009
Net (loss)	<b>\$ (160,258)</b>	\$ (76,907)	<b>\$ (1,124,320)</b>	\$ (363,378)
Changes in other comprehensive income (loss)	<b>(701,413)</b>	245,374	<b>(934,755)</b>	25,161
Comprehensive income (loss)	<b>\$ (861,671)</b>	\$ 168,467	<b>\$ (2,059,075)</b>	\$ (338,217)

**INVENTORIES**



**NOTE****7**

Inventory carrying value is net of inventory reserves of \$716,428 and \$810,904 at June 30, 2010 and December 31, 2009, respectively.

Inventories consist of:

	June 30, 2010	December 31, 2009
	<u>                    </u>	<u>                    </u>
Raw materials	<b>\$ 4,884,729</b>	\$ 4,393,992
Work-in-process	<b>1,051,293</b>	1,252,251
Finished goods	<b>1,499,048</b>	1,297,988
	<u>                    </u>	<u>                    </u>
	<b>\$ 7,435,070</b>	\$ 6,944,231
	<u>                    </u>	<u>                    </u>

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

**NOTE - GOODWILL AND LONG-LIVED ASSETS**

**8**

The Company reviews its goodwill 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 Accounting Standards Codification (ASC) 350, Accounting for Business Combinations, Goodwill, and Other Intangible Assets.

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

**NOTE - ACCOUNTING FOR STOCK BASED COMPENSATION**

**9**

The Company follows the provisions of ASC 718, Share-Based Payment. The Company's results for the three and six-month periods ended June 30, 2010 include share-based compensation expense totaling \$50,091 and \$100,182, respectively. Results for the three and six-month periods ended June 30, 2009 include share-based compensation expense of \$89,274 and \$178,548, respectively. Such amounts have been included in the Condensed Consolidated Statements of Operations within operating expenses.

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

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

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

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

**NOTE 9 - ACCOUNTING FOR STOCK BASED COMPENSATION (Continued)**

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

	Number of Shares	Weighted Average Exercise Price per share	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Service-based Stock Options				
Outstanding at January 1, 2010	1,588,967	\$ 2.54		
Granted				
Exercised				
Forfeited/Expired	(301,300)			
Canceled				
Outstanding at June 30, 2010	1,287,667	\$ 2.57	3.7	
Exercisable at June 30, 2010	1,036,917	\$ 2.55	3.1	

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

	Number of Shares	Weighted Average Exercise Price per share	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Performance-based Stock Options				
Outstanding at January 1, 2010	720,000	\$ 0.97		
Granted	300,000	\$ 0.96		
Exercised				
Forfeited/Expired				
Canceled				
Outstanding at June 30, 2010	1,020,000	\$ 0.97	8.9	
Exercisable at June 30, 2010				

As of June 30, 2010, the unearned compensation related to Company granted service-based incentive stock options is \$152,187 which will continue to be amortized over the next two years. The fair value, and unamortized amount, of performance-based options granted by the Company as of June 30, 2010 is \$640,104. This unearned compensation will

not be recognized until certain performance conditions are achieved.

On June 8, 2010, the Company issued 40,000 shares of restricted common stock to select members of its board of directors. The shares were granted at the June 8<sup>th</sup> closing market price of \$0.84 per share and will vest on the date of the Company's next annual shareholders meeting, a vesting period of approximately one year. The total compensation expense to be recognized over the vesting period will be \$33,600.

#### NOTE 10 SEGMENT INFORMATION: REGIONAL SALES

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

Revenues by region	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2010	2009	2010	2009
Americas	<b>\$ 4,462,514</b>	\$ 3,173,666	<b>\$ 8,687,911</b>	\$ 7,056,674
Europe, Middle East, Africa (EMEA)	<b>1,055,734</b>	1,519,207	<b>2,463,835</b>	2,580,282
Asia Pacific (APAC)	<b>562,356</b>	462,942	<b>1,066,200</b>	1,046,875
	<b>\$ 6,080,604</b>	\$ 5,155,815	<b>\$ 12,217,946</b>	\$ 10,683,831

Net sales are attributable to a geographic area based on the destination of the product shipment.

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

**NOTE 11 - COMMITMENTS AND CONTINGENCIES**

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

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

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

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

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

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

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

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

The financial information presented herein includes:

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

**FORWARD LOOKING STATEMENTS**

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

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

**CRITICAL ACCOUNTING POLICIES**

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

***Share-Based Compensation***

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

***Revenue Recognition***

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

***Valuation of Inventory***

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

***Comprehensive (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 (loss) in accordance with ASC 220, *Comprehensive Income*.

***Allowances for Doubtful Accounts***

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

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

***Income Taxes***

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

***Uncertain Tax Positions***

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

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

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

**RESULTS OF OPERATIONS**

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

For the six-months ended June 30, 2010 as compared to the corresponding period of the previous year, net sales increased to approximately \$12,218,000 from approximately \$10,684,000, an increase of approximately \$1,534,000 or 14.0%. For the three-months ended June 30, 2010 as compared to the corresponding period of the previous year, net sales increased to approximately \$6,081,000 from approximately \$5,156,000, an increase of approximately \$925,000 or 18%. These increases are primarily due to strengthening demand for the Company's domestic subsidiaries products and services.

Gross profit on net sales for the six-months ended June 30, 2010 was approximately \$5,759,000 or 47.1% as compared to approximately \$4,849,000 or 45.4% of net sales for the six-months ended June 30, 2009. Gross profit on net sales for the three-months ended June 30, 2010 was approximately \$2,956,000 or 48.6% as compared to approximately \$2,223,000 or 43.1% of net sales for the three-months ended June 30, 2009. Gross profit margins are higher primarily due increased revenue volume and favorable product mix. Manufacturing labor and overhead costs remained relatively stable period over period. The Company can experience variations in gross profit based upon the mix of products sold as well as variations due to revenue volume and economies of scale. The Company continues to carefully monitor costs associated with material acquisition, manufacturing and production.



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

Operating expenses for the six-months ended June 30, 2010 were approximately \$5,126,000 or 42% of net sales as compared to approximately \$5,664,000 or 53% of net sales for the six-months ended June 30, 2009. Operating expenses for the three-months ended June 30, 2010 were approximately \$2,635,000 or 43% as compared to approximately \$2,841,000 or 55% of net sales for the three-months ended June 30, 2009. Operating expenses are lower for the three and six-months ended June 30, 2010 due to decreases in both sales and marketing expenses and general and administrative expenses, partially off-set by a slight increase in research and development expenses. The decreases in general and administrative expenses are primarily due to lower administrative salaries and stock option expense.

Interest income decreased by approximately \$3,000 and approximately \$25,000 for the three and six-months ended June 30, 2010, respectively, as compared to the corresponding periods of the previous year. These decreases were primarily due to the decline in interest rates in the Company's interest bearing accounts. In reaction to uncertain financial market conditions, the Company has reallocated substantially all of its cash investments to more secure money market funds. Other income decreased by approximately \$30,000 for the three-months ended June 30, 2010. For the six-months ended June 30, 2010, other income increased approximately \$39,000. The fluctuations in other income and expense are primarily due to foreign currency gains and losses realized during the periods reported. The Company can experience these fluctuations depending on the timing and percentage of sales recorded in foreign currencies compared to overall reported sales.

For the six-months ended June 30, 2010, the Company realized net income from continuing operations of approximately \$619,000 or \$0.02 per share on a diluted basis, as compared to a net loss of approximately \$422,000 or \$0.02 per share on a diluted basis for the six-months ended June 30, 2009, an increase of approximately \$1,041,000. Net income from continuing operations was approximately \$298,000 or \$0.01 per share on a diluted basis for the quarter ended June 30, 2010 as compared to a net loss from continuing operations of approximately \$198,000 or \$0.01 per share on a diluted basis for the quarter ended June 30, 2009, an increase of approximately \$496,000. These increases were primarily due to the analysis mentioned above.

The results from continuing operations for all periods presented include certain general and administrative expenses which are allocated amongst the Company's individual business units. Due to the presentation of Willtek as a discontinued operation, these expenses were removed from Willtek and re-allocated back to the Company's remaining continuing operations. Additionally, for the three and six-months ended June 30, 2009, included in the results from discontinued operations are significant non-recurring sales that make the comparison to 2010 unfavorable.

Net loss from discontinued operations was approximately \$1,743,000 or \$0.07 per share on a diluted basis for the six-months ended June 30, 2010 as compared to net income from discontinued operations of approximately \$58,000 or \$0.00 per share on a diluted basis for the six-months ended June 30, 2009, a decrease of approximately \$1,801,000. The loss for the six-months ended June 30, 2010 was primarily due to approximately \$431,000 of a loss recognized on the sale of Willtek and approximately \$1,312,000 of operating losses in Willtek for this six-month period. For the three-months ended June 30, 2010, net loss from discontinued operations was approximately \$459,000 or \$0.02 per share on a diluted basis as compared to net income of approximately \$121,000 or \$0.00 per share on a diluted basis for the three-months ended June 30, 2009, a decrease of approximately \$580,000. The loss for the three-months ended June 30, 2010 was primarily due to approximately \$638,000 of operating losses in Willtek off-set by a \$179,000 adjustment to the loss on the sale of Willtek recognized in this three-month period.

For the six-months ended June 30, 2010, the Company incurred a net loss of approximately \$1,124,000 or \$0.05 per share on a diluted basis, compared to a net loss of approximately \$363,000 or \$0.02 per share on a diluted basis for the six-months ended June 30, 2009, a loss increase of approximately \$761,000. Net loss was approximately \$160,000 or \$0.01 per share on a diluted basis for the quarter ended June 30, 2010 as compared to a net loss of approximately \$77,000 or \$0.01 per share on a diluted basis for the quarter ended June 30, 2009, a loss increase of approximately \$83,000. The net loss fluctuation was primarily due to the analysis mentioned above.

**LIQUIDITY AND CAPITAL RESOURCES:**

The Company's working capital has decreased by approximately \$3,513,000 to approximately \$22,641,000 at June 30, 2010, from approximately \$26,154,000 at December 31, 2009. At June 30, 2010 the Company had a current ratio of 8.1 to 1, and a ratio of debt to tangible net worth of .2 to 1. At December 31, 2009, the Company had a current ratio of 4.4 to 1, and ratio of debt to tangible net worth of .4 to 1.

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

The Company had a cash and cash equivalents balance of approximately \$11,337,000 at June 30, 2010, compared to approximately \$14,076,000 at December 31, 2009. The Company believes its current level of cash and cash equivalents is sufficient enough to fund the current operating, investing and financing activities.

The Company used cash for operating activities, including discontinued operations, of approximately \$3,712,000 for the six-month period ending June 30, 2010. The primary use of this cash was due to a loss from operations as well as a decrease in accounts payable, accrued expenses and other current liabilities, an increase in inventory, and an increase in accounts receivable, partially off-set by a decrease in prepaid expenses and other assets.

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

The Company used cash for operating activities, including discontinued operations, of approximately \$2,224,000 for the six-month period ending June 30, 2009. The primary use of this cash was due to an increase in accounts receivable, a decrease in accounts payable, accrued expenses and other current liabilities, and an increase in prepaid expenses and other assets, partially off-set by a decrease in inventory.

Net cash provided by investing activities for the six-months ended June 30, 2010 was approximately \$2,629,000. The source of these funds was from proceeds relating to the disposition of Willtek, off-set by capital expenditures. For the six-months ended June 30, 2009, net cash provided by investing activities was approximately \$2,924,000. The primary source of these funds was from the sale of short-term securities, off-set by capital expenditures.

Cash used for financing activities for the six-months ended June 30, 2010 and 2009 was approximately \$1,506,000 and \$204,000, respectively. The use of these funds for the six-months ended June 30, 2010 was for the re-payment of a bank loan and periodic payments of a mortgage note. For the six-months ended June 30, 2009, the use of these funds was for the periodic payments of a bank loan and mortgage note.

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

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

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

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

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

**INFLATION AND SEASONALITY**

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



**ITEM 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Not applicable.

**ITEM 4T - CONTROLS AND PROCEDURES**

(a) Evaluation of Disclosure Controls and Procedures

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

(b) Changes in Internal Controls over Financial Reporting

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

**PART II - OTHER INFORMATION**

Item 1. LEGAL PROCEEDINGS

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

Item 1A. RISK FACTORS

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

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

None.

Item 3. DEFAULTS UPON SENIOR SECURITIES

None.

Item 4. REMOVED AND RESERVED

Item 5. OTHER INFORMATION

None.

Item 6. EXHIBITS

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

**SIGNATURES**

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

WIRELESS TELECOM GROUP, INC.

\_\_\_\_\_  
(Registrant)

Date: August 12, 2010

/S/Paul Genova

\_\_\_\_\_  
Paul Genova  
Chief Executive Officer and CFO

**EXHIBIT LIST**

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