

WIRELESS TELECOM GROUP INC
Form 10-K
March 30, 2011

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2010

OR

o 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)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Name of each exchange on which registered

Common Stock, par value \$.01 per share

NYSE Amex

Securities registered pursuant to Section 12(g) of the Act:

none

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(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes No

Note Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Exchange Act from their obligations under those Sections.

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
Do not check if a 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

The aggregate market value of the registrant's Common Stock, \$.01 par value, held by non-affiliates and computed by reference to the closing price as reported by NYSE Amex on June 30, 2010: \$13,786,227

Number of shares of Wireless Telecom Group, Inc. Common Stock, \$.01 par value, outstanding as of March 28, 2011: 24,965,286

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement for the 2011 Annual Meeting of Stockholders are incorporated by reference into Part III of this Annual Report on Form 10-K. Such Proxy Statement will be filed within 120 days of the end of the fiscal year covered by this Annual report on Form 10-K.

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PART I

Item 1. Business

Wireless Telecom Group, Inc., a New Jersey corporation (the Company), designs and manufactures radio frequency (RF) and microwave-based products for wireless and advanced communications industries and currently markets its products and services worldwide under the Boonton, Microlab and Noisecom brands. Its complementary suite of high performance instruments and components includes peak power meters, signal analyzers, power splitters, combiners, diplexers, noise modules and precision noise generators. The Company serves both commercial and government markets with workflow-oriented, built-for-purpose solutions in cellular/mobile, WiFi, WiMAX, private mobile radio, satellite, cable, radar, avionics, medical, and computing applications. 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 (through May 7, 2010), WTG Foreign Sales Corporation and NC Mahwah, Inc. The corporate website address is www.wtcom.com.

As has been disclosed by the Company in its filings in prior periods, in light of on-going market challenges facing the Company's foreign subsidiary, Willtek Communications GmbH (Willtek), including significant technology research and development expenses required to remain competitive, management has been evaluating several strategic alternatives and opportunities.

In November 2009, the Company's board of directors made a decision to conclude efforts to seek strategic alternatives regarding Willtek so that the Company could focus on growing its domestic based businesses. The board of directors authorized management to begin negotiations with interested parties to sell substantially all of the assets of Willtek or cease incurring costs related to its development. On April 9, 2010, the Company entered into an asset purchase agreement to sell substantially all the operating assets and certain liabilities of Willtek to certain subsidiaries of Aeroflex Incorporated. On May 7, 2010, the Company successfully completed this sale.

As a result of the aforementioned sale of Willtek, the Company's consolidated balance sheet at December 31, 2009 presents the accounts of Willtek as assets and liabilities held for sale. Willtek's operating activities through the May 7, 2010 sale date and for all of fiscal year 2009 are included in the Company's consolidated statement of operations as discontinued operations. As a result, the succeeding information, including management's discussion and analysis, pertains primarily to the Company's continuing operations.

Market

Since the Company's incorporation in the State of New Jersey in 1985, it has been primarily engaged in supplying noise source products and electronic testing and measurement instruments and passive components to various customers. Approximately 74% of the Company's sales in fiscal 2010 were derived from commercial applications. The remaining sales (approximately 26%) were comprised of sales made to the United States Government (particularly the armed forces) and prime defense contractors.

Products

Noise components and instruments (noise source products) are primarily used as a method of testing to determine if sophisticated communications systems are capable of receiving the information being transmitted. A typical application for the Company's noise source products are as a reference standard in test instruments which measure unwanted noise and interference in devices and components utilized in a variety of communications equipment.

This is accomplished by comparing a noise source with known characteristics to the unwanted noise found in the communications system being tested. By generating a random noise signal, in combination with a live transmission signal, a noise generator simulates real world signals and allows the manufacturer to determine if its product is performing to specifications. Noise source testing is often more cost-efficient, faster and more accurate than alternative conventional methods using signal generators.

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Coupled with other electronic devices, noise generators are also an effective means of jamming, blocking and disturbing enemy radar and other communications, as well as insulating and protecting friendly communications. In the jamming mode, the Company's noise source products block out or disrupt unwanted radar and radio transmissions generally without being detected.

The Company's noise source products are used in radar systems as part of built-in test equipment to continuously monitor the radar receiver and in satellite communications where the use of back-up receivers are becoming more common as the demand for communication availability and reliability is increasing. Testing by the Company's noise source products assures that the back-up receiver is always functional and ready should the communication using the first receiver fail. The Company's noise source products can test satellite communication receivers for video, telephone and data communications.

The Company also offers a line of broadband test equipment serving the Cable Television and Cable Modem industries. Test instruments from the broadband product line are measurement solutions for CATV equipment, Data-Over-Cable (DOCSIS) and Digital TV.

The Company's noise source products range from relatively simple items with no control mechanisms or auxiliary components to complex, automated components containing computerized or microprocessor based controls.

The Company, through its Boonton subsidiary, designs and produces electronic testing and measuring instruments including power meters, passive intermodulation test equipment for cellular transmission signals, voltmeters, capacitance meters, audio and modulation meters and accessory products. These products measure the power of RF and microwave systems used by the military and commercial sectors. Further, the Company's products are also used to test terrestrial and satellite communications, radar, telemetry and personal communication products. Recent models are microprocessor controlled and are often used in computerized automatic testing systems. Certain power meter products are designed for measuring signals based on wideband modulation formats, allowing a variety of measurements to be made, including maximum power, peak power, average power and minimum power.

The Company, through its Microlab/FXR subsidiary, designs and manufactures high-power, passive microwave components for the wireless infrastructure market and for other commercial, aerospace and military markets. The Company's products are used in microwave systems, UMTS, PCS and cellular communications base stations, television transmitters, avionic systems and medical electronics. These types of products serve the needs of the in-building distributed antenna systems market, which facilitates seamless wireless coverage throughout the interiors of buildings and building complexes.

The Company's products consist of several models with varying degrees of capabilities which can be customized to meet particular customer requirements. They may be incorporated directly into the electronic equipment concerned or may be stand alone components or devices that are connected to, or used in conjunction with, such equipment operating from an external site, in the factory or in the field. Prices of products range from approximately \$100 to \$100,000 per unit, with most sales occurring between \$2,000 and \$35,000 per unit.

The Company's products have extended useful lives and the Company provides recalibration services for its instrument products to ensure their accuracy, for a fee, to its domestic and international customers, and also calibrates test equipment manufactured by others. Such services accounted for approximately 6% of fiscal 2010 sales.

Marketing and Sales

As of March 28, 2011, the Company's in-house marketing and sales force consisted of twenty individuals. The Company promotes the sale of its products to customers and manufacturers' representatives through its web-site, product literature, publication of articles, presentations at technical conferences, direct mailings, trade advertisements and trade show exhibitions.

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The Company's products are sold globally through its in-house sales people and by over one hundred manufacturers' representatives and distributors (the Company's channel partners). Generally, our channel partners do not stock inventories of the Company's products. Channel partners accounted for 82% and 83% of the Company's sales for the years ended December 31, 2010 and 2009, respectively. For the year ended December 31, 2010 and 2009, no one channel partner accounted for more than 10% of total sales. The Company does not believe that the loss of any single channel partner would have a material adverse affect on its business.

The Company's relationship with its channel partners is usually governed by written contracts that either run for one-year renewable periods terminable by either party on 60 days prior notice or have indefinite lives terminable by either party on 60 days prior notice. The contracts generally provide for territorial and product representation. The Company continually reviews and assesses the performance of its channel partners and makes changes from time to time based on such assessments.

The Company believes that educating its existing and potential customers as to the advantages and applications of its products is a vital factor in its continued success as is its commitment to rapid product introductions and timely revisions to existing products. Management believes that its products offer state-of-the-art performance combined with outstanding customer and technical support. The Company has always placed great emphasis on designing its products to be user-friendly.

Customers

The Company currently sells the majority of its products to various commercial users in the communications industry. Other sales are made to large defense contractors, which incorporate the Company's products into their products for sale to the U.S. and foreign governments, multi-national concerns and Fortune 500 companies. In fiscal 2010, approximately 74% of sales were derived from commercial applications. The remaining sales were comprised of United States government and military applications.

For fiscal 2010, no one customer accounted for more than 10% of total sales. The Company's largest customers vary from year to year. Accordingly, while the complete loss of any large customer or substantial reduction of sales to such customers could have a material adverse affect on the Company, the Company has experienced shifts in sales patterns with such large companies in the past without any material adverse affect. There can be no assurance, however, that the Company will not experience future shifts in sales patterns not having a material adverse affect on its business.

Regional sales from continuing operations for fiscal 2010 were made to customers in the Americas (\$17,027,598 or 69% of total sales), Europe, Middle East and Africa or EMEA (\$4,932,729 or 20% of total sales) and Asia Pacific or APAC (\$2,603,899 or 11% of total sales).

Research and Development

The Company currently maintains an engineering staff (seventeen individuals as of March 28, 2011) whose duties include the improvement of existing products, modification of products to meet customer needs and the engineering, research and development of new products and applications. Expenses for research and development involve engineering for improvements and development of new products for commercial markets. Such expenditures for continuing operations include the cost of engineering services and engineering support personnel and were approximately \$2,175,000 and \$2,066,000 for the years ended December 31, 2010 and 2009, respectively.

Competition

The Company competes against many companies, which utilize similar technology to that of the Company, some of which are larger and have substantially greater resources and expertise in financial, technical and marketing areas than the Company. Some of these companies are Agilent Technologies, Rhode and Schwarz, Anritsu, Kathrein, Aeroflex and Micronetics. The Company competes by having a niche in several product areas where it capitalizes on its expertise in manufacturing products with unique specifications.

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The Company designs its products with special attention to making them user-friendly, and constantly re-evaluates its products for the purpose of enhancing and improving them. The Company believes that these efforts, along with its willingness to adapt its products to the particular needs of its customers and its intensive efforts in customer and technical support are factors that add to the competitiveness of its products.

Backlog

The Company's backlog of firm orders shippable in the next twelve months was approximately \$2,400,000 at December 31, 2010, compared to approximately \$2,500,000 at December 31, 2009. It is anticipated that the majority of the backlog orders will be filled during the current year. The stated backlog is not necessarily indicative of Company sales for any future period nor is a backlog any assurance that the Company will realize a profit from the orders.

Inventory, Supplies and Manufacturing

The Company purchases components, devices and subassemblies from a wide variety of sources. The Company's inventory policy stresses maintaining substantial raw materials in order to lessen its dependency on third party suppliers and to improve its capacity to facilitate production. However, shortages or delays of supplies may, in the future, have a material adverse impact on the Company's operations. No third-party supplier accounted for more than 10% of the Company's total inventory purchases for fiscal 2010.

The Company is not party to any formal written contract regarding the deliveries of its supplies and components. It generally purchases such items pursuant to written purchase orders of both the individual and blanket variety. Blanket purchase orders usually cover the purchase of a larger amount of items at fixed prices for delivery and payment on specific dates.

The Company primarily produces its products by final and some intermediate assembly, calibration and testing. Testing of products is generally accomplished at the end of the manufacturing process and is performed in-house as are all quality control processes. The Company utilizes modern equipment for the design, engineering, manufacture, assembly and testing of its products.

Warranty and Service

The Company typically provides one-year warranties on its instrument 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. Repairs that are necessitated by misuse of such products or are required outside the warranty period are not covered by the Company's warranty.

In cases of defective products, the customer typically returns them to a Company facility. The Company's service personnel replace or repair the defective items and ship them back to the customer. Generally, all servicing is done at the Company's plants, and the Company charges its customers a fee for those service items that are not covered by warranty. The Company's Noisecom and Microlab/FXR divisions typically don't offer their customers any formal written service contracts. However, the Company's Boonton division does offer its customers' formal written service contracts for a fee.

Historically, warranty expense within the Company has been minimal. In 2009, there was a onetime increase of \$240,000 in warranty costs due to potential rework of a specific product shipped in 2008. This product is no longer being produced at original specifications and this amount represents the maximum potential warranty related to these shipments.

Product Liability Coverage

The testing of electronic communications equipment and the accurate transmission of information entail a risk of product liability by customers and others. Claims may be asserted against the Company by end-users of any of the Company's products.

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The Company maintains product liability insurance coverage and no claims have been asserted for product liability due to a defective or malfunctioning device. However, it is possible that the Company may be subject to such claims in the future and corresponding litigation should one or more of its products fail to perform or meet certain minimum specifications.

Intellectual Property

Proprietary information and know-how are important to the Company's commercial success. The trademark *Boonton* was registered in the United States Patent and Trademark Office. 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-competition 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.

Environmental Protection

The New Jersey Department of Environmental Protection (the *NJDEP*) had conducted an investigation in 1982 concerning disposal at a facility in New Jersey previously leased by the Company's *Boonton* operations. Involved were certain materials formerly used by *Boonton*'s manufacturing operations at that site and the possible effect of such disposal on the aquifer underlying the property. The disposal practices and the use of the materials in question were discontinued in 1978. The Company has cooperated with the *NJDEP* investigation and has been diligently pursuing the matter in an attempt to resolve it in accordance with applicable *NJDEP* operating procedures. The above referenced activities were conducted by *Boonton* prior to the acquisition of that entity in 2000.

The Company and the *NJDEP* previously agreed upon a plan to correct ground water contamination at the site, located in the township of *Parsippany-Troy Hills*, pursuant to which wells have been installed by the Company. The plan contemplates that the wells will be operated and that soil and water samples will be taken and analyzed until such time, which the Company is unable to predict, that contamination levels are satisfactory to the *NJDEP*. Recently, the Company has hired a new environmental consultant to evaluate the results of the current remediation plan that has been in effect since 1982. The Company is diligently pursuing efforts to satisfy the requirements of the original plan and receive a new determination from the *NJDEP*.

Expenditures incurred by the Company during the year ended December 31, 2010 in connection with the site amounted to approximately \$50,000. While management anticipates that the expenditures in connection with this site will not be substantial in future years, the Company could be subject to significant future liabilities and may incur significant future expenditures if further contamination from *Boonton*'s testing is identified and the *NJDEP* requires additional remediation.

Employees

As of March 28, 2011, the Company had 101 full-time employees, including its officers, 52 of whom are engaged in manufacturing and repair services, 10 in administration and financial control, 17 in engineering and research and development, and 20 in marketing and sales.

The Company considers its relationship with its employees to be satisfactory.

The design and manufacture of the Company's products require substantial technical capabilities in many disparate disciplines, from mechanics and computer science to electronics and mathematics. While the Company believes that the capability and experience of its technical employees compares favorably with other similar manufacturers, there can be no assurance that it can retain existing employees or attract and hire the highly capable technical employees it may need in the future on terms deemed favorable to the Company.

Item 1A. Risk Factors

Ongoing recessionary economic conditions have adversely affected and may further adversely affect our business, results of operations, and financial condition.

General recessionary economic conditions have negatively impacted our business in the past and could further impact our business in the future if economic recovery is slow to occur. In addition to the potentially negative impact on our revenues, unstable economic conditions could also have a number of additional effects on our business, including insolvency of key suppliers or manufacturers resulting in product delays, inability of customers to obtain credit to finance purchases of our products, customer insolvencies, increased product returns, increased pricing pressures, restructuring expenses and associated diversion of management's attention, excess inventory and increased difficulty in our accurately forecasting product demand and planning future business activities. If the economy or markets into which we sell our products are slow to recover, our business, financial condition and results of operations could be materially and adversely affected.

We face intense competition, which could result in lower revenues, higher research and development expenditures and adversely affect our results of operations.

We operate in industries characterized by aggressive competition, rapid technological change, evolving technology standards and short product life cycles. Many of our competitors utilize similar technologies to ours and have substantially greater resources and expertise in financial, technical and marketing areas than we have. Our competitors may introduce products that are competitively priced, have increased performance or functionality or incorporate technological advances that we have not yet developed or implemented.

To remain competitive, we must continue to develop, market and sell new and enhanced products at competitive prices, which will require significant research and development expenditures. If we do not develop new and enhanced products or if we are not able to invest adequately in our research and development activities, our business, financial condition and results of operations could be negatively impacted.

Unless we keep pace with changing technologies, we could lose existing customers and fail to win new customers.

Our future success will depend upon our ability to develop and introduce a variety of new products and services and enhancements to these new products and services in order to address the changing needs of the marketplace. We may not be able to accurately predict which technologies customers will support. If we do not introduce new products, services and enhancements in a timely manner, if we fail to choose correctly among technical alternatives or if we fail to offer innovative products and services at competitive prices, customers may forego purchases of our products and services and purchase those of our competitors.

If our products do not perform as promised, we could experience increased costs, lower margins and harm to our reputation.

The failure of our products to perform as promised could result in increased costs, lower margins and harm to our reputation. This could result in contract terminations and have a material adverse effect on our business and financial results.

The testing of electronic communications equipment and the accurate transmission of information entail a risk of product liability by customers and third parties.

Claims may be asserted against us by end-users of any of our products for liability due to a defective or malfunctioning device made by us, and we may be subject to corresponding litigation should one or more of our products fail to perform or meet certain minimum requirements. Such a claim and corresponding litigation could result in substantial costs, diversion of resources and management attention, termination of customer contracts and harm to our reputation.

If we fail to adequately manage our resources, it could have a severe negative impact on our financial results or stock price.

We could be subject to fluctuations in technology spending by existing and potential customers. Accordingly, we will have to actively manage expenses in a rapidly changing economic environment. This could require reducing costs during economic downturns and selectively growing in periods of economic expansion. If we do not properly manage our resources in response to these conditions, our results of operations could be negatively impacted.

Our customers and we are subject to various governmental regulations, compliance with which may cause us to incur significant expenses, and if we fail to maintain satisfactory compliance with certain regulations, we may be forced to recall products and cease their distribution, and we could be subject to civil or criminal penalties.

Our businesses are subject to various significant international, federal, state and local regulations, including but not limited to health and safety, packaging, product content, labor and import/export regulations. These regulations are complex, change frequently and have tended to become more stringent over time. We may be required to incur significant expenses to comply with these regulations or to remedy violations of these regulations. Any failure by us to comply with applicable government regulations could also result in cessation of our operations or portions of our operations, product recalls or impositions of fines and restrictions on our ability to carry on or expand our operations.

We are subject to laws and regulations governing government contracts, and failure to address these laws and regulations or comply with government contracts could harm our business by leading to a reduction in revenue associated with these customers.

We have agreements relating to the sale of our products to government entities and, as a result, we are subject to various statutes and regulations that apply to companies doing business with the U.S. government. The laws governing government contracts differ from the laws governing private contracts. For example, many government contracts contain pricing terms and conditions that are not applicable to private contracts. We are also subject to investigation for compliance with the regulations governing government contracts. A failure to comply with these regulations might result in suspension of these contracts, or administrative penalties.

Shortages or delay of supplies of component parts may adversely affect our operating results until alternate sources can be developed.

Our operations are dependent on the ability of suppliers to deliver quality components, devices and subassemblies in time to meet critical manufacturing and distribution schedules. If we experience any constrained supply of any such component parts, such constraints, if persistent, may adversely affect operating results until alternate sourcing can be developed. There may be an increased risk of supplier constraints in periods where we are increasing production volume to meet customer demands. Volatility in the prices of these component parts, an inability to secure enough components at reasonable prices to build new products in a timely manner in the quantities and configurations demanded or, conversely, a temporary oversupply of these parts, could adversely affect our future operating results.

We could be subject to significant costs related to environmental contamination from past operations, and environmental contamination caused by ongoing operations could subject us to substantial liabilities in the future.

The New Jersey Department of Environmental Protection, or the NJDEP, had conducted an investigation in 1982 concerning disposal at a facility in New Jersey previously leased by our Boonton operations. Involved were certain materials formerly used by Boonton's manufacturing operations at that site and the possible effect of such disposal on the aquifer underlying the property. The disposal practices and the use of the materials in question were discontinued in 1978, prior to our acquisition of Boonton Electronics Corporation in 2000. In 1982, the Company and the NJDEP agreed on a plan to correct ground water contamination at the site. The plan consists of the installation of several monitoring wells in order to take periodic soil and water samples until such time, which we are unable to predict, that contamination levels are satisfactory to the NJDEP. While we anticipate that the expenditures in connection with the site will not be substantial in future years, we could be subject to significant

future liabilities and may incur significant future expenditures in connection with the former Boonton site. The determination of the existence and cost of any additional contamination caused by us could involve costly and time-consuming negotiations and litigation. While we are not aware of any material liabilities associated with any potential contamination at this former site, subsurface contamination may exist, and we may be exposed to material liability as a result of the existence of that contamination under various international, federal, state and local laws governing the environment.

The loss of key personnel could adversely affect our ability to remain competitive.

We believe that the continued service of our executive officers will be important to our future growth and competitiveness. However, other than our severance agreement we entered into with Mr. Genova, Chief Executive Officer, we currently do not have any employment agreements with any of our executive senior management. Although we have a severance agreement with Mr. Genova, we cannot assure you that Mr. Genova or any of our other executive officers will remain employed by us. Moreover, the design and manufacture of our products require substantial technical capabilities in many disparate disciplines, from engineering, mechanics and computer science to electronics and mathematics. We believe that the continued employment of key members of our technical and sales staffs will be important to us but, as with our executive officers, we cannot assure you that they will remain employed by us.

Third parties could claim that we are infringing on their intellectual property rights which could result in substantial costs, diversion of significant managerial resources and significant harm to our reputation.

The industries in which our company operates are characterized by the existence of a large number of patents and frequent litigation based on allegations of patent infringement. From time to time, third parties may assert patent, copyright, trademark and other intellectual property rights to technologies in various jurisdictions that are important to our business.

Misappropriation of our intellectual property could harm our reputation, affect our competitive position and cost money.

We believe that our intellectual property, including its methodologies, is critical to our success and competitive position. We rely on a combination of U.S. and foreign patent, copyright, trademark and trade secret laws, as well as confidentiality agreements to establish and protect our proprietary rights. If we are unable to protect our intellectual property against unauthorized use by third parties, our reputation among existing and potential customers could be damaged and our competitive position adversely affected.

Attempts may be made to copy aspects of our products or to obtain and use information that we regard as proprietary. Accordingly, we may not be able to prevent misappropriation of our technology or deter others from developing similar technology. Our strategies to deter misappropriation could be undermined if:

the proprietary nature or protection of our methodologies is not recognized in the United States or foreign countries;

third parties misappropriate our proprietary methodologies and such misappropriation is not detected; and

competitors create applications similar to ours but which do not technically infringe on our legally protected rights.

If these risks materialize, we could be required to spend significant amounts to defend our rights and divert critical managerial resources. In addition, our proprietary methodologies may decline in value or our rights to them may become unenforceable. If any of the foregoing were to occur, our business could be materially adversely affected.

The success of our strategic plan to grow sales and develop relationships in Europe and Asia may be limited by risks related to conducting business in European and Asian markets.

Part of our strategy is to increase sales and build additional relationships in European and Asian markets. Risks inherent in marketing, selling and developing relationships in European and Asian markets include those associated with:

economic conditions in European and Asian markets, including the impact of recessions in European and Asian economies and fluctuations in the relative values of the U.S. dollar, the Euro and Asian currencies;

taxes and fees imposed by European and Asian governments that may increase the cost of products and services;

greater difficulty in accounts receivable collection and longer collection periods;

seasonal reductions in business activities in some parts of the world;

laws and regulations imposed by individual countries and by the European Union, particularly with respect to intellectual property, license requirements and environmental requirements; and

political and economic instability, terrorism and war.

In addition, European and Asian intellectual property laws are different than and may not protect our proprietary rights to the same extent as do U.S. intellectual property laws, and we will have to ensure that our intellectual property is adequately protected in foreign jurisdictions and in the United States. If we do not adequately protect our intellectual property rights, competitors could use our proprietary technologies in non-protected jurisdictions and put us at a competitive disadvantage.

Environmental and other disasters, such as flooding, large earthquakes, volcanic eruptions or nuclear or other disasters, or a combination thereof, such as recently experienced in Japan, may negatively impact our business.

Although we manufacture our products in New Jersey, we both source and ship our products globally. Environmental and other disasters may cause disruption to our supply chain or impede our ability to ship product to certain regions of the world. The recent earthquakes and tsunami in the Pacific Rim have not significantly impacted our business as of the date of this report. However, there can be no assurance that similar environmental and/or other such disasters will not have an adverse impact on our business in the future.

The concentration of ownership of our outstanding common stock with the former Willtek shareholders following the Willtek acquisition, as well as certain provisions of the shareholders' agreement we entered into with the former Willtek shareholders at the closing of the Willtek acquisition, enables the former Willtek shareholders to significantly influence the outcome of all matters, transactions and corporate actions that require approval of our shareholders.

The former Willtek shareholders, together, beneficially own approximately 26% of the outstanding shares of our common stock as of March 28, 2011. Under the terms of the shareholders' agreement we entered into with the former Willtek shareholders at the closing of the Willtek acquisition, designees of Investcorp occupy two of seven seats on our board of directors. Additionally, at each annual meeting, Investcorp is entitled to designate to our nominating committee up to two candidates for nomination for election to our seven-member board of directors, for so long as Investcorp's beneficial ownership levels exceed certain percentage thresholds.

The post-acquisition concentration of ownership of our outstanding common stock with the former Willtek shareholders, combined with Investcorp's right to designate director candidates for nomination and the former Willtek shareholders' voting obligations in the election of directors under the terms of the shareholders' agreement, enables the former Willtek shareholders to significantly influence the outcome of all matters, transactions and corporate actions that require approval of our shareholders, including the election and removal of directors and mergers or other business combination transactions, and could have the effect of delaying or preventing a change-in-control of the Company or otherwise discourage a potential acquirer 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's foreign facility in Ismaning, Germany was assumed by the buyer of the Willtek assets upon closing of the transaction and is no longer an obligation of the Company.

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 at the tenant's option 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 previously 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 unlikely that the owner would prevail on any claim. The above referenced activity was conducted by Boonton prior to the acquisition of that entity in 2000. There are no other material legal proceedings known to the Company.

Item 4. Removed and Reserved

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).

2010 Fiscal Year	High	Low
1st Quarter	\$ 1.04	\$ 0.70
2nd Quarter	1.14	0.72
3rd Quarter	0.85	0.60
4th Quarter	0.88	0.67
2009 Fiscal Year		
1st Quarter	\$ 0.51	\$ 0.13
2nd Quarter	0.60	0.29
3rd Quarter	0.90	0.50
4th Quarter	0.80	0.53

On March 28, 2011, the closing price of the common stock of the Company as reported was \$1.08. On March 28, 2011, the Company had 476 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 four 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	2,513,667	\$ 1.68	1,654,250
Equity compensation plans not approved by security holders			
Total	2,513,667	\$ 1.68	1,654,250

Item 6. Selected Financial Data

Not applicable.

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 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 earlier in this report, as a result of the sale of Willtek, the Company has reflected its foreign activities as assets and liabilities held for sale and discontinued operations in its 2010 and 2009 consolidated financial statements.

The financial information presented herein includes: (i) Consolidated Balance Sheets as of December 31, 2010 and 2009 (ii) Consolidated Statements of Operations for the years ended December 31, 2010 and 2009 (iii) Consolidated Statement of Changes in Shareholders' Equity for the years ended December 31, 2010 and 2009 (iv) Consolidated Statements of Cash Flows for the years ended December 31, 2010 and 2009.

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 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 in 2010 and 2009, the Company took into consideration guidance under ASC 718 and SEC Staff Accounting Bulletin No. 107 (SAB 107) when reviewing and updating assumptions. The expected option life is derived from assumed exercise rates based upon historical exercise patterns and represents the period of time that options granted are expected to be outstanding. The expected volatility is based upon historical volatility of our shares using weekly price observations over an observation period that approximates the expected life of the options. The risk-free rate is based on the U.S. Treasury yield curve rate in effect at the time of grant for periods similar to the expected option life. The estimated forfeiture rate included in the option valuation was zero.

Revenue recognition

Revenue from product shipments, including shipping and handling fees, is recognized once delivery has occurred provided that persuasive evidence of an arrangement exists, the price is fixed or determinable, and collectability is reasonably assured. Delivery is considered to have occurred when title and risk of loss have transferred to the customer. Sales to international distributors are recognized in the same manner. If title does not pass until the product reaches the customer's delivery site, then 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.

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.

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

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 the disposition of Willtek, 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 carryforwards.

Uncertain Tax Position

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.

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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 December 31, 2010 and 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 years ended December 31, 2010 and 2009, and the Company does not anticipate that it is reasonably possible that any material increase or decrease in its unrecognized tax benefits will occur within twelve months.

Valuation of goodwill

The Company reviews the goodwill of its subsidiary, Microlab, for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable, and also reviews Microlab's goodwill annually in accordance with ASC 350, Accounting for Business Combinations, Goodwill, and Other Intangible Assets. The process of evaluating the potential impairment of goodwill is ongoing, subjective and requires significant judgment and estimates regarding future cash flows and forecasts. Goodwill represents the excess of the cost of an acquisition over fair value of net assets acquired. Testing for the impairment of goodwill involves a two step process. The first step of the impairment test requires the comparing of a reporting unit's fair value to its carrying value. If the carrying value is less than the fair value, no impairment exists and the second step is not performed. If the carrying value is higher than the fair value, there is an indication that impairment may exist and the second step must be performed to compute the amount of the impairment. In the second step, the impairment is computed by estimating the fair 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. As noted above, goodwill is attributable to one of the Company's reporting units, Microlab.

Impairment of long-lived 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.

Results of Operations

Year Ended December 31, 2010 Compared to 2009

Net sales for the year ended December 31, 2010 were \$24,564,226 as compared to \$22,828,328 for the year ended December 31, 2009, an increase of \$1,735,898 or 7.6%. This increase was primarily the result of strengthening demand for the Company's products and services throughout 2010. The Company believes key indicators, such as government spending on naval and air programs and commercial infrastructure development, point to a general improvement in economic conditions, positively impacting sales during the period.

The Company's gross profit on net sales for the year ended December 31, 2010 was \$11,555,479 or 47.0% as compared to \$10,628,932 or 46.6% as reported in the previous year. Gross profit dollars are slightly higher in 2010 compared to 2009 primarily due to relatively fixed costs being allocated to higher revenues and the continuing effort to closely manage labor and overhead costs. The Company's products consist of several models with varying degrees of capabilities which can be customized to meet particular customer requirements. They may be incorporated directly into the electronic equipment concerned or may be stand alone components or devices that are connected to, or used in conjunction with, such equipment from an external site, in the factory or in the field.

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Prices of products range from approximately \$100 to \$100,000 per unit, with most sales occurring between approximately \$2,000 and \$35,000 per unit. The Company can experience variations in gross profit based upon the mix of these products sold as well as variations due to revenue volume and economies of scale. The Company will continue to rigidly monitor costs associated with material acquisition, manufacturing and production.

Operating expenses for the year ended December 31, 2010 were \$10,749,956 or 43.8% of net sales as compared to \$11,552,881 or 50.6% of net sales for the year ended December 31, 2009. For the year ended December 31, 2010 as compared to the prior year, operating expenses decreased by \$802,925. Operating expenses are lower in 2010 due to a decrease in general and administrative expenses, offset by increased spending in both research and development and sales and marketing expenses. The decrease in general and administrative expense is attributable to lower administrative salaries, a decrease in non-cash stock option charges and lower professional fees in 2010, coupled with a specific onetime warranty accrual in the amount of \$240,000 recorded in 2009.

Interest income decreased by \$23,214 for the year ended December 31, 2010. This decrease was primarily due to the decline in interest rates in the Company's interest bearing investment account in 2010. Substantially all of the Company's cash is invested in money market funds.

Other income increased by \$58,556 for the year ended December 31, 2010. This increase was primarily due to the reduction of an accrual in 2010 of approximately \$100,000 relating to the potential exposure on environmental contamination at a site formerly leased by Boonton, partially offset by, foreign currency losses realized during the period. The Company has been testing the ground water at this site since 1982 in accordance with state regulations. Recently, the Company has hired a new environmental consultant to evaluate the results of the current remediation plan that has been in effect since 1982. The Company is diligently pursuing efforts to satisfy the requirements of the original plan and receive a new determination from the NJDEP. Management continues to be encouraged by recent test results which support improvements in ground water conditions over time. While management anticipates that the expenditures in connection with this site will not be substantial in future years, the Company could be subject to significant future liabilities and may incur significant future expenditures if any additional contamination is identified and the NJDEP requires additional remediation.

For the year ended December 31, 2010, the Company realized a tax benefit of \$91,870. The tax benefit was primarily due to an increase in the Company's deferred tax asset, net of a valuation allowance, partially offset by an adjustment to the estimated 2009 carryback claim, due to the Company's finalizing of its 2009 federal tax return, and the provision for state income taxes. For the year ended December 31, 2009, the Company realized a tax benefit, net of a valuation allowance, of \$6,366,851, of which approximately \$1,900,000 was estimated to be realized in a carryback claim from taxes paid in prior years. The remaining tax benefit of approximately \$4,500,000 was estimated to be utilized to offset taxable income in future years. The effect of this tax benefit on earnings per share in 2009 was an increase