Wireless Telecom Group

2020 ANNUAL REPORT

Message from the CEO

To our Shareholders,

2020 was a year of transformative positioning and progress. We worked hard to overcome the challenges of the global pandemic and the unexpected decline in demand from our former largest customer. Yet, during this extraordinarily challenging year, we also acquired Holzworth, controlled our costs, increased our gross profit margins, and ended the year with strong bookings growth. Our success responding to and managing through these challenges is attributable to the resilience and strength of our employees, our culture, and the significant value of our global brands.

We have continued to execute on our mission to bring specialized solutions that enable the development, test, and deployment of wireless communication and connectivity. We launched new products to market, and we executed on our acquisition strategy. We believe we are now at an inflection point for the business, and the accomplishments during the year have expanded our addressable markets, grown our customer base, increased our backlog, and positioned us for growth in the year ahead and beyond.

We remain confident in our strategy, our people and our future focused on growth opportunities in 5G, spectrum deployment, private networks, and satellite and military applications.

Leading through Change and Challenges
Operational agility tackles the challenges of the pandemic and safeguards our employees; a realigned structure balances reduced demand from our former largest customer and positions us well for future growth

We adjusted our cost structure and operating plan entering 2020 to address an unexpected decline in demand from our former largest customer. Despite this obstacle, we maintained our investments and conviction in our R&D programs and our higher margin, growth businesses.

In the first quarter of 2020 we also made significant modifications to our operations in response to the unexpected impacts of the global pandemic. As a result, our goals throughout the year focused on protecting the health and safety of our employees, serving our customers' needs with unparalleled service and commitment, and continued investments in the future of our business.

We are pleased we accomplished each of these goals in 2020. Our culture has been strengthened by new skills and experiences and we have realized operational improvements during this challenging period of time. We have also fueled innovation, realized greater efficiencies and have an increased excitement and potential about our future.

Growth orientation and execution
Holzworth acquisition and integration success, continued new product launches, and added CRO leadership

In February 2020 we closed the acquisition of Holzworth Instrumentation, a specialized provider of noise measurement and synthesis for precise testing requirements. Holzworth's products serve growing market trends including 5G, advanced semiconductor test requirements, satellite communication, military, aerospace and quantum computing.

The acquisition leverages our existing Test & Measurement sales channels, customer relationships and operational platform. We successfully integrated the business and Holzworth's results for 2020 exceeded our expectations. We are excited about Holzworth's future opportunities.

In addition to our successful M&A execution, our strategy includes organic growth driven by R&D investments and new product introductions. In the last four years, we released 22 new products, nine of which were launched in 2020 alone. These investments continue to advance our leadership in network densification and spectrum deployment, advance our LTE and 5G software offerings, and innovate sophisticated test and measurement solutions for applications in defense, radar and satellite communications, quantum computing, and applications for the semiconductor and aerospace industries as well as the military, and large defense contractors. Like all long-term investments, our R&D and new product launches are expected to drive success over many years.

Our focus on driving growth also includes our investments in our executive team where we added a Chief Revenue Officer, Alfred Rodriguez, from Xilinx. He is an experienced and skilled sales executive with the vision and leadership to help us realize the potential of our new products and software solutions in markets poised for growth.

Execution and Delivery
Profitability, Cash Flow, Bookings and Backlog Growth

During 2020, we increased our consolidated gross profit margin to 50.2%, compared to 48.4% in 2019 and above our long-term target of 50%. We also significantly increased our cash flow from operations to approximately $3 million, and we generated four strong quarters of bookings, which contributed to our backlog increasing 117% from the prior year to $8.3 million at year-end.

Our increase in gross margins was driven by the successful execution of our strategy to drive increased growth of our higher margin business in Test & Measurement solutions, including Holzworth, and the increase of software and services revenues in our Radio, Baseband, and Software solutions.

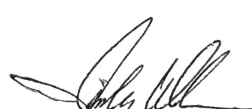
Our bookings also include significant qualitative wins. This includes the return of demand for our RBS hardware cards as well as six new customers for our software and services solutions, demonstrating the momentum in our NXP collaboration and advancement of our 4G and 5G software. Importantly, we exited the year with our strongest quarter of bookings, helping increase our backlog and visibility into the year ahead.

Looking ahead, the expected increased spending by carriers deploying spectrum, growth in private network buildouts, and the expansion of satellite communications along with other secular growth trends driven by 5G are expected to drive meaningful opportunities for our business. Our long-term customer relationships, agile approach, and commitment to innovation and quality are aligned to revenue growth and customer success.

We are dedicated to creating unmatched value for our customers enabling the development, testing, and deployment of wireless technology and communications.

Thank you for your continued support of Wireless Telecom Group.

Timothy Whelan,



Chief Executive Officer

PART I

Item 1. Business

Overview

Wireless Telecom Group, Inc., a New Jersey corporation, together with its subsidiaries ("we", "us", "our" or the "Company"), specializes in the design and manufacture of advanced radio frequency and microwave devices which enable the development, testing and deployment of wireless technology. The Company provides unique, highly customized and configured solutions which drive innovation across a wide range of traditional and emerging wireless technologies.

Wireless Telecom Group is comprised of five brands – Microlab, Boonton, Noisecom, CommAgility and Holzworth. The Company is organized as one reporting segment as of result of certain internal reorganizations occurring in the six to nine months prior to June 2020. Prior to June 2020, the Company was organized in three reporting segments. In June 2020 we determined that the Chief Operating Decision Maker ("CODM") as defined in Accounting Standards Codification ("ASC") 280 *Segment Reporting* evaluates operating results and makes decisions on how to allocate resources at the consolidated level. Although the CODM reviews key performance indicators including bookings, shipments and gross profit at a product group level, this information by itself is not sufficient enough to make operating decisions. Rather, operating decisions are made based on review of consolidated profitability metrics rather than the individual results of each product group. The Company continues to report gross profit at the product group level. Our product groups are organized as follows: Radio Frequency Components ("RFC") is comprised of our Microlab brand; Radio, Baseband, Software ("RBS") is comprised of our CommAgility brand; and Test and Measurement ("T&M") is comprised of our Boonton, Noisecom and Holzworth brands.

Our customers include wireless carriers, aerospace and defense companies, military and government agencies, satellite communication companies, network equipment manufacturers, tower companies, semiconductor companies, system integrators, neutral host providers, medical device manufacturers and other global technology companies.

Our products include components, modules, instruments, systems and software used across the lifecycle of wireless connectivity and communication development, deployment and testing. Our services include software customization, calibration, repair and maintenance. Our customers use these products in the development and deployment of long-term evolution ("LTE") and 5G private networks, small cell solution development and deployment, 5G test environments, automated test environments, research labs, network densification and deployment, expansion and upgrade of distributed antenna systems, and medical device manufacturing In addition, the Company's products are used in the development and testing of satellite communication systems, radar systems, semiconductor manufacturing, automotive electronics and avionics.

The consolidated financial statements for the 2020 fiscal year include the accounts of Wireless Telecom Group, Inc., doing business as, and operating under the trade name Noise Com, Inc., and its wholly owned subsidiaries including Boonton Electronics Corporation, Microlab/FXR, Wireless Telecommunications Ltd., CommAgility Limited and Holzworth Instrumentation, Inc. The corporate website address is www.wirelesstelecomgroup.com. Noise Com, Inc., Boonton Electronics Corporation, Microlab/FXR, CommAgility Limited Ltd., and Holzworth Instrumentation, Inc. are hereinafter referred to as "Noisecom", "Boonton", "Microlab", "CommAgility" and "Holzworth", respectively.

Market

Since the Company's incorporation in the State of New Jersey in 1985, it has been primarily engaged in supplying noise source components and instruments, electronic testing and measurement instruments, and radio frequency ("RF") passive components to customers. With the CommAgility acquisition in February 2017, the Company expanded to include the delivery of digital signal processing hardware cards and the delivery, implementation and configuration of LTE and 5G physical layer and stack software. In February 2020, we acquired Holzworth which specializes in supplying signal generators and phase noise analyzers to global aerospace and defense companies, the semiconductor industry and government labs. Approximately 82% and 93% of the Company's consolidated revenues in fiscal years 2020 and 2019, respectively, were derived from commercial customers. The remaining consolidated revenues (approximately 18% and 7% in 2020 and 2019, respectively) were comprised of revenues from the United States government (particularly the armed forces) and prime defense contractors.

Brands and Products

Microlab

Microlab designs and manufactures a wide selection of RF components and integrated subsystems for signal conditioning and distribution in the wireless infrastructure markets as well as for use in medical devices. Microlab products are used in small cell deployments, distributed antenna systems, in-building wireless solutions and cellular base-stations. In 2020, Microlab expanded its portfolio of RF components for ultra-wide band frequency ranges enabling the deployment of commercial wireless networks utilizing new licensed and unlicensed mid-band spectrum allocations. Management believes mid-band spectrum is especially well suited for 5G mobile broadband due to its wide coverage, low latency and high reliability.

Microlab components possess unique capabilities in the area of broadband frequency coverage, minimal loss and low passive intermodulation ("PIM"). High performance components – such as power combiners, directional couplers, attenuators, terminators and filters – are developed for broadband applications to support commercial in-building wireless networks, public safety networks, rail and transportation deployments, corrosive salt/fog environment build-outs and global positioning system ("GPS") signal distribution.

Along with components and integrated subsystems, the Microlab portfolio also includes system performance monitoring and timing synchronization solutions. These products include a portfolio of GPS digital repeaters and splitters for cellular timing synchronization as well as a passive systems monitor for real-time diagnostics of an in-building distributed antenna system.

Boonton

Boonton is a leader in high performance RF and microwave test equipment for radar, avionics, electronic warfare, electromagnetic interference compatibility, and satellite and wireless communications applications due to our product quality and measurement speed and accuracy. Used across the semiconductor, military, aerospace, medical and commercial communications industries, Boonton products enable a wide range of power measurements and signal analysis for RF product design, production, maintenance and testing.

Boonton designs and produces electronic test and measurement equipment including power meters, power sensors, voltmeters, and audio and modulation analyzers. These products measure and analyze the performance of RF and microwave systems used by the military and commercial sectors. Boonton products are also used to test terrestrial and satellite communications, radar and telemetry. 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.

Noisecom

Noisecom is a leader in RF and microwave noise sources for signal jamming, system impairment, reference level comparison and calibration, receiver robustness testing, and jitter injection due to our product quality and product design flexibility. Noisecom designs and produces noise generation instruments, calibrated noise sources, noise modules and diodes. Noisecom noise products are used to provide wide band interference and test signals for sophisticated commercial communication and defense applications, and as a stable reference standard for advanced systems found in radar applications and satellite communications. Noise source products:

- simulate challenging signaling conditions in data and radio frequency transmission systems, such as jitter testing for high speed data lines used in modern computer architecture;
- send signals for noise measurement to allow wireless receivers and transmitters to be optimized;
- are used for jamming radio frequency signals, blocking or disturbing enemy radar and other communications and insulating and protecting friendly communications; and
- comprise components 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 is becoming more common.

Electronic noise generation devices from Noisecom come in a variety of product types including noise diodes, built-in-test modules ("BITE"), calibrated noise sources, jitter sources, cryogenic noise standards and programmable instruments. Calibrated noise sources are available from audio to millimeter wavelengths in coaxial or waveguide modules. Programmable instruments are highly configurable and able to generate precise carrier-to-noise, signal-to-noise and broadband white noise levels. Noisecom products are customizable to meet the unique needs of challenging applications and can be designed for high power, high crest factor, and specific filtering.

Holzworth

Holzworth designs and manufactures specialty phase noise analyzers and signal generators used by aerospace and defense companies, government labs, the semiconductor industry, and network equipment providers. Holzworth products are used in, among other things, research and automated test environments and for quantum computing. Holzworth signal generators are optimized for ultra-low phase noise performance, spectral purity and fast switching speeds and their phase noise analyzers are of the same innovative design philosophy, optimized for measurement speed, z540 traceable accuracy and high reliability while measuring to noise floors at the theoretical limit.

CommAgility

CommAgility develops the software which enables specialized LTE and 5G deployments, applications and private network solutions including the LTE physical layer and stack software, for mobile network and related applications. CommAgility also develops embedded signal processing hardware and RF modules which enable 5G and LTE mobile network and application solutions. Combining the latest digital processing platforms and RF technologies with advanced, industry-leading software, CommAgility provides compact, powerful and reliable products for integration into high performance test equipment, specialized radio and intelligence systems, satellite systems and research and development demonstrators.

CommAgility engineers work closely with customers to provide hardware and software solutions for the most demanding real-time signal processing, test and control challenges in wireless baseband, private and specialized networks, satellite communications, radar and electronic warfare. Additionally, CommAgility licenses, implements and customizes 5G and LTE physical layer and stack software for private networks supporting satellite communications, the military and aerospace industries, offering our customers unique implementation capabilities built on 3rd Generation Partnership Project (“3GPP”) standards.

In January 2020, CommAgility announced a collaboration agreement with NXP Semiconductors in connection with the NXP Layerscape Access Programmable Baseband Processors for 5G New Radio Platforms. The collaboration enables CommAgility to accelerate 5G hardware and software development and enhance the performance of its 5G platform, providing advantages to customers developing 5G solutions and reducing their time of development. The collaboration will help CommAgility address needs for private and specialized network solutions.

Marketing and Sales

The Company’s products are sold globally through our in-house sales force, industry-specific manufacturers’ representatives and through a network of authorized distributors. The Company promotes the sale of its products through its website, product literature, published articles, technical conference presentations, direct mailings, trade advertisements and trade show exhibitions.

The Company’s relationships with its manufacturers’ representatives and distributors are governed by written contracts that either run for one-year renewable periods terminable by either party on 30 to 60 days prior notice or have indefinite lives terminable by either party on 30 to 60 days prior notice. The contracts generally provide for territorial and product representation.

Customers

The Company currently sells the majority of its products to aerospace and defense companies, distributors, telecommunications service providers, systems integrators, neutral host operators, global technology and services companies, U.S. and foreign governments, and medical device manufacturers. For the year ended December 31, 2020, no one customer accounted for more than 10% of total consolidated revenues. For the year ended December 31, 2019 one customer, Viavi Solutions, accounted for 24.8% of total consolidated revenues.

Competition

We compete against many companies which utilize similar technology, some of which are larger and have substantially greater resources and expertise in financial, technical and marketing areas than us. Some of these companies include Keysight Technologies, Inc., Rohde & Schwarz GmbH & Co. KG, Anritsu Corporation, Kathrein, Commscope, Qualcomm, Mavenir, Altiostar and Azcom. We also compete against smaller offshore vendors with significantly lower costs and expenses than us, such as Sym Technology, Inc., Innowave RF and Wireless Supply.

The Company believes its competitive strengths include:

- long-standing relationships with a core group of diverse customers in the wireless, telecommunication, satellite, military, aerospace, semiconductor and medical industries
- agility in providing highly customized and configured solutions to the customer's technical specifications
- a long tradition of developing highly engineered wireless solutions through our strong design capabilities and technology know-how
- long-standing, well-established sales channels and relationships which allow us to bring new solutions to market quickly
- diversification across multiple customer segments, providing solutions to enable development, testing and deployment
- being an approved vendor at all three of the major U.S. carriers with hundreds of approved Microlab products
- an embedded base of products and instruments which leads to recurring purchases of our Boonton, Noisecom and Holzworth products
- extensive knowhow and IP related to 3GPP, LTE and 5G wireless standards which enable us to address complex and customized requirements for specialized networks

Backlog

The Company's consolidated backlog of firm orders to be shipped in the next twelve months was approximately $8.3 million at December 31, 2020, compared to approximately $3.8 million at December 31, 2019. The increase in backlog from the prior year is due to the addition of Holzworth, as well as an increase in CommAgility backlog. It is anticipated that the majority of the backlog orders at December 31, 2020 will be filled during the current year. The stated backlog is not necessarily indicative of Company revenues 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 procurement policy requires maintaining adequate levels of raw materials inventory to minimize the Company's production lead times with third-party suppliers and to improve the Company's capacity to expedite fulfillment of customer orders. Although the procurement team focuses its efforts to work closely with its suppliers to avoid adverse effects of shortages or delays in delivery of inventories, delays in the future may have an adverse impact on the Company's operations. For the year ended December 31, 2020, two suppliers accounted for 14% of total consolidated inventory purchases, respectively. For the year ended December 31, 2019, three suppliers accounted for 18%, 14%, and 10%, respectively, of total consolidated inventory purchases.

The Company is not party to any long term contracts 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.

For Boonton and Noisecom products, the Company develops, designs, manufactures, assembles, calibrates and tests the products at our facility in Parsippany, New Jersey. Testing of Boonton and Noisecom products is generally accomplished at the end of the manufacturing process and is performed in-house, as are all quality control processes.

Approximately 46% of Microlab's revenues are traced to products that are sourced from offshore vendors. The majority of Microlab products that come from offshore suppliers are subject to tariffs. The impact of tariffs has decreased our consolidated gross profit margin by approximately 1%. The remainder of Microlab products are designed and manufactured by the Company in Parsippany, New Jersey. All Microlab products are tested by the Company in Parsippany, New Jersey.

CommAgility hardware products are built by contract manufacturers to CommAgility designs and tested either by the contract manufacturer or by CommAgility. Software products are licensed to customers through a system that allows the customer to download the software once access has been granted.

Holzworth products are designed, developed, assembled and tested in our facility in Boulder, Colorado.

Warranty and Service

The Company typically provides one to three year warranties on all of its products covering both parts and labor. The Company, at its option, repairs or replaces products that are defective during the warranty period if the proper preventive maintenance procedures have been followed by its customers.

In cases of defective products the customer typically returns them to the Company's facility. The Company's service personnel typically repair the defective items and ship them back to the customer. Generally, all servicing is done at the Company's facility, and the Company charges its customers a fee for those service items that are not covered by warranty. If the defective product cannot be repaired, the Company typically replaces the product free of charge but unrepairable products are an infrequent occurrence.

Product Liability Coverage

The testing of electronic communications equipment and the accurate transmission of information entail a risk of product liability to the Company. Product liability claims could be asserted against the Company by end-users of any of the Company's products. The Company maintains product liability insurance coverage. No claims have been asserted for product liability due to a defective or malfunctioning device in the past five years.

Intellectual Property

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 patents, copyrights, trademarks and trade secrets, as well as confidentiality agreements to establish and protect our proprietary rights. All employees are subject to the Company's policies to ensure that all of the Company's intellectual property and business information are maintained in confidence. Key employees have signed non-disclosure and non-competition agreements.

Regulation

Environmental

The Company's operations are subject to various federal, state and local environmental laws, ordinances and regulations that limit discharges into the environment, establish standards for the handling, generation, use, emission, release, discharge, treatment, storage and disposal of, or exposure to, hazardous materials, substances and waste, and require cleanup of contaminated soil and groundwater.

At this time, the Company believes that it is in material compliance with all environmental laws, does not anticipate any material expenditure to meet current or pending environmental requirements, and generally believes that its processes and products do not present any unusual environmental concerns. The Company is unaware of any existing, pending or threatened contingent environmental liability that may have a material adverse effect on its ongoing business operations.

Workplace Safety

The Company's operations are also governed by laws and regulations relating to workplace safety and worker health. The Company believes it is in material compliance with these laws and regulations and does not believe that future compliance with such laws and regulations will have a material adverse effect on its results of operations or financial condition. As described in the Recent Developments section of Item 7 the Company has implemented additional safety measures for staff working in our facilities as a result of the COVID-19 pandemic (also see Pandemic Risks risk factor).

ITAR and Export Controls

Certain of the Company's products may be subject to International Traffic in Arms Regulation, or ITAR. ITAR requires export licenses from the U.S. Department of State for products shipped outside the U.S. that have military or strategic applications. Because some of the Company's products could have military or strategic applications, it must ensure its compliance with ITAR.

In addition, the Company is subject to the Export Administration Regulations, or EAR, which regulates the export of certain "dual use" items and technologies and, in some instances, requires a license from the U.S. Department of Commerce in connection with sales of the Company's products.

The Company believes it is in material compliance with all such export regulations.

FAR and DFARS

Certain of the Company's contracts with the U.S. Government are subject to Federal Acquisition Regulations ("FAR") regarding government procurement. Further, certain of the Company's contracts are subject to the IT security requirements of Defense Federal Acquisition Regulation Supplement ("DFARS") for controlled unclassified information.

The Company believes it is in material compliance with applicable requirements of FAR and DFARS.

Employees

As of March 1, 2021, the Company has 150 full time employees. The Company is not subject to collective bargaining agreements in the United States or internationally and considers its relationship with its employees to be good.

Investor Information

The Company is subject to the disclosure requirements of the Securities Exchange Act of 1934, as amended ("Exchange Act"). Therefore, the Company files periodic reports, proxy statements and other information with the Securities and Exchange Commission ("SEC"). The SEC maintains an Internet site (http://www.sec.gov) that contains reports, proxy and information statements and other information regarding issuers that file electronically.

You can access financial and other information, including copies of our recent SEC filings, at the Company's Investor Relations page on its website. The address of the website is www.wirelesstelecomgroup.com. The Company makes available, free of charge, copies of its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after filing such material electronically or otherwise furnishing it to the SEC.

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 thereof of other variations thereon or comparable terminology, or by discussions of strategy that involves 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. 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. The Company assumes no obligation to update any forward-looking statements as a result of new information or future events or developments.

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 is traded on the NYSE American under the name Wireless Telecom Group, Inc. (Symbol: WTT). On March 6, 2021, the Company had 351 stockholders of record. These stockholders of record do not include beneficial owners whose shares are held in "nominee" or "street name".

Recent Sales of Unregistered Securities

See Item 3.02 of Form 8-K filed on February 7, 2020 regarding issuance of common stock to Holzworth founders in connection with the Holzworth acquisition and issuance of stock warrant to Muzinich in connection with our Muzinich term loan facility. No other unregistered securities were issued in 2020.

Issuer Purchases of Equity Securities

The Company did not repurchase any securities during the year ended December 31, 2020.

Equity Compensation Plan Information

Set forth below is certain aggregated information with respect to the Company's equity compensation plans.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plan (excluding securities reflected in the previous columns)
Equity compensation plans approved by security holders	3,396,167	$1.64	226,568
Equity compensation plans not approved by security holders	-	-	-
Total	3,396,167	$1.64	226,568

Item 6. Selected Financial Data

Not applicable.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

The Company is a global designer and manufacturer of advanced RF, microwave and millimeter wave components, modules, systems and instruments. Serving the wireless, telecommunication, satellite, military, aerospace, semiconductor and medical industries, Wireless Telecom Group products enable innovation across a wide range of traditional and emerging wireless technologies. With a unique set of high-performance products including peak power meters, signal analyzers, signal generators, phase noise analyzers, signal processing modules, LTE and 5G physical layer and stack software, power splitters and combiners, GPS repeaters, public safety monitors, noise sources, and programmable noise generators, Wireless Telecom Group supports the development, testing and deployment of wireless technologies around the globe.

Key 2020 Developments and Financial Results

Fiscal 2020 was one of the most challenging years in the Company's recent history. We began 2020 with an expectation of significantly reduced demand from our formerly largest customer for our CommAgility signal processing hardware cards. Accordingly, we adjusted our costs and expenses to help offset the impact of the reduced revenues. These adjustments included headcount reductions at our Parsippany N.J. headquarters and various discretionary cost and expense reductions. We also carefully managed our capital expenditures throughout 2020 in order to preserve liquidity. Despite the expected reduction of the top line for our CommAgility hardware cards, the Company successfully completed the acquisition of Holzworth on February 7, 2020, which was financed through our new term loan facility with Muzinich BDC. In 2020, Holzworth exceeded our revenue and profitability expectations.

In March 2020, one month after the close of the Holzworth acquisition, the unforeseen impact of the COVID-19 pandemic negatively impacted the Company's operations and outlook. Throughout 2020 all of our locations and brands were challenged with travel bans, quarantines, and shelter-in-place orders as authorities implemented measures to contain the COVID-19 virus. We implemented new cleaning, monitoring and distancing measures to ensure additional procedures and preventative actions were taken in accordance with CDC and local government guidelines to help protect the health and well-being of our employees, customers, partners and communities. The Company was able to continue operations at our manufacturing facilities in Parsippany, N.J. and Boulder, Colorado locations as an "essential business" due to the industries and customers we serve including critical telecommunications infrastructure, the U.S. government and numerous global aerospace and defense subcontractors that supply the U.S. government.

All employees that do not have critical in-person functions have been working remotely since March 16, 2020. For those employees working in our facilities we instituted measures during 2020 including flexible work arrangements, increased distancing of workstations, enhanced cleaning protocols, required completion of daily health screening forms for all employees and visitors entering our facilities and other safety precautions. In March 2020 we formed a COVID-19 task force made up of various members of the management team including operations, finance and sales. The task force meets regularly to monitor COVID-19 developments and ensure the Company reacts quickly to help protect the well-being of its employees. The task force is also planning our return to normal strategy that will be based on data, facts and advice of federal, state and local government leaders in the jurisdictions in which we operate as well as medical professionals. Under our current plans, the Company expects to continue to have the majority of our workforce working remotely until May 1, 2021, at which time we will begin a phased re-entry plan, meaning that employees will begin working in the office on a limited basis. However, this timeline may be adjusted based on the facts and circumstances of each jurisdiction in which we operate.

We believe our 2020 financial results were adversely impacted by the COVID-19 pandemic because we experienced a decrease in orders related to our Boonton and Noisecom brands as customers closed facilities, slowed orders and instituted capital expenditure freezes due to the pandemic. We also saw a significant decline in Microlab orders throughout our second, third and fourth quarters due primarily to large venue project delays and cancellations. We believe this was caused by the uncertainty of reopening guidelines from states, as well as the uncertainty of conventions, college and professional sports, and college and university return to campus schedules for students. Further, we believe certain project timelines and decisions on large private network projects on which our CommAgility brand has bids were delayed given the economic uncertainty driven by the pandemic.

Despite the challenges posed by the COVID-19 pandemic our research and development efforts continued throughout 2020 most notably CommAgility's progression on the 5G roadmap and our collaboration with NXP Semiconductors. Additionally, among other product releases, we announced Ultra-Wide Band Microlab products for 5G network deployment and densification and launched our new PMX 40 Boonton Power Meter.

On May 4, 2020, the Company received $2.0 million pursuant to a loan under the Paycheck Protection Program ("PPP") of the 2020 Coronavirus Aid, Relief and Economic Security Act ("CARES Act") administered by the Small Business Association (see description in Liquidity and Capital Resources below). The Company's covered period as defined by the terms of the PPP loan ended on October 19, 2020. The Company used the funds for those purposes as defined under the terms of the PPP loan, most notably payroll expenses for our U.S. based employees. The Company filed for forgiveness in the fourth quarter of 2020 and is awaiting a decision from the Small Business Association. The Company can provide no assurance that the loan will be forgiven in whole or in part.

The financial information presented herein includes: (i) Consolidated Balance Sheets as of December 31, 2020 and 2019; (ii) Consolidated Statements of Operations and Comprehensive Income/(Loss) for the years ended December 31, 2020 and 2019; (iii) Consolidated Statement of Changes in Shareholders' Equity for the years ended December 31, 2020 and 2019; and (iv) Consolidated Statements of Cash Flows for the years ended December 31, 2020 and 2019.

Critical Accounting Policies

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, or U.S. GAAP. 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. It is reasonably possible that these estimates may ultimately differ materially from actual results. See Note 1 in the Notes to the Consolidated Financial Statements included elsewhere in this Form 10-K for a description of all of our significant accounting policies.

Revenue Recognition

Effective January 1, 2018 the Company adopted Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)*, ("Topic 606") using the "modified retrospective" method, meaning the standard is applied only to the most current period presented in the financial statements. Topic 606 requires the Company to identify the performance obligations in our revenue arrangements – that is, those promised goods and services (or bundles of promised goods or services) that are distinct – and allocate the transaction price of the revenue arrangement to those performance obligations on the basis of estimated standalone selling prices ("SSP's").

Sales of hardware which include sales of radio frequency solutions, digital signal processing hardware, power meters, analyzers, noise/signal generators, phase noise analyzers and other components generally consist of one performance obligation which is satisfied upon shipment to the customer. When contract terms require transfer of control upon delivery at a customer's location, revenue is recognized on the date of delivery. Sales of hardware to distributors that include a limited right of return are recorded net of expected returns.

Sale of software licenses in the CommAgility brand may involve multiple performance obligations including multiple software releases and consultancy services. In these cases transaction price is allocated to each distinct performance obligation on the basis of SSP and revenue is recognized when the distinct performance obligation is satisfied. The company determines performance obligations and SSP's in arrangements with multiple performance obligations in accordance with Topic 606 which requires significant judgement.

Services arrangements involving repairs and calibrations of the Company's products are generally considered a single performance obligation and revenue is recognized as the services are rendered.

Certain software arrangements in the CommAgility brand may involve the transfer of software along with significant customization services. In these cases the customization services and software licenses are combined as one distinct performance obligation and revenue is recognized over time as the project is completed. The duration of these performance obligations are typically one year or less.

Leases

We lease office space and certain equipment under non-cancelable lease agreements. Prior to January 1, 2019, we applied the accounting guidance in ASC 840, *Leases*, to our lease agreements. The leases were reviewed for classification as operating or capital leases. For operating leases, rent was recognized on a straight-line basis over the lease period. For capital leases, we recorded the leased asset with a corresponding liability and amortized the asset over the lease term. Payments were recorded as reductions to the liability with an appropriate interest charge recorded based on the then-outstanding remaining liability.

Effective January 1, 2019, we adopted ASU No. 2016-02, *Leases (Topic 842)* using the modified retrospective transition method and established our lease accounting policy pursuant to this new standard. We initially applied the transition provisions at January 1, 2019, which allowed us to continue to apply the legacy guidance in ASC 840 for periods prior to 2019. Based on the new guidance, we assess all arrangements, that convey the right to control the use of property, plant and equipment, at inception, to determine if it is, or contains, a lease based on the unique facts and circumstances present in that arrangement. For those leases identified, we determine the lease classification, recognition, and measurement at the lease commencement date. For arrangements that contain a lease we: (i) identify lease and non-lease components; (ii) determine the consideration in the contract; (iii) determine whether the lease is an operating or financing lease; and (iv) recognize lease Right of Use ("ROU") assets and corresponding lease liabilities. Lease liabilities are recorded based on the present value of lease payments over the expected lease term. The corresponding ROU asset is measured from the initial lease liability, adjusted by (i) accrued or prepaid rents; (ii) remaining unamortized initial direct costs and lease incentives; and (iii) any impairments of the ROU asset. The interest rate implicit in our lease contracts is typically not readily determinable and as such, we use our incremental borrowing rate based on the information available at the lease commencement date, which represents an internally developed rate that would be incurred to borrow, on a collateralized basis, over a similar term, an amount equal to the lease payments in a similar economic environment.

Business Combinations

The Company uses the acquisition method of accounting for business combinations which requires the tangible and intangible assets acquired and liabilities assumed to be recorded at their respective fair market value as of the acquisition date. Goodwill represents the excess of the consideration transferred over the fair value of the net assets acquired. The fair values of the assets acquired and liabilities assumed are determined based upon the Company's valuation and involves making significant estimates and assumptions based on facts and circumstances that existed as of the acquisition date. The Company uses a measurement period following the acquisition date to gather information that existed as of the acquisition date that is needed to determine the fair value of the assets acquired and liabilities assumed. The measurement period ends once all information is obtained, but no later than one year from the acquisition date.

Valuation of Goodwill

Goodwill represents the excess of the aggregate purchase price over the fair value of the net assets acquired in a purchase business combination. Goodwill is evaluated for impairment annually, or more frequently if events occur or circumstances change that would indicate that goodwill might be impaired, by first performing a qualitative evaluation of events and circumstances impacting the reporting unit to determine the likelihood of goodwill impairment. Based on that qualitative evaluation, if we determine it is more likely than not that the fair value of a reporting unit exceeds its carrying amount, no further evaluation is necessary. Otherwise we perform a quantitative impairment test.

The Company has three reporting units with goodwill – Holzworth, Microlab and CommAgility. The Company performed a qualitative assessment in the fourth quarter of 2020 of each reporting unit. The qualitative assessment of Holzworth and Microlab did not indicate any impairment of goodwill. As a result of declining demand of CommAgility's signal processing hardware cards from a single customer and the particularly high uncertainty associated with the ultimate trajectory of the pandemic, including the degree to which governments would continue to restrict business and personal activities, and the impact that uncertainty has on the growth of new software license and services revenue to offset the signal processing hardware sales decline, the Company performed a quantitative impairment test of the goodwill of the CommAgility reporting unit.

For goodwill impairment testing using the quantitative approach, the Company estimates the fair value of the selected reporting unit using the income approach and the market approach. Fair value under the income approach is derived primarily through the use of a discounted cash flow model based on our best estimate of amounts and timing of future revenues and cash flows and our most recent business and strategic plans. Fair value under the market approach is derived by applying a multiple to our best estimate of future revenue. The Company applies equal weighting to the income approach and the market approach to arrive at an estimated fair value. The estimated fair value is compared to the carrying value of the reporting unit, including goodwill. If the fair value of the reporting unit exceeds the carrying value, no impairment charge is recorded. If the carrying value of the reporting unit exceeds the fair value an impairment charge is recorded to goodwill in the amount by which carrying value exceeds fair value. Both the income approach and market approach require judgmental assumptions about projected revenue growth, future operating margins, discount rates and terminal values over a multi-year period. There are inherent uncertainties related to these assumptions and management's judgment in applying them to the analysis of goodwill impairment. While the Company believes it has made reasonable estimates and assumptions to calculate the fair value of its reporting units, it is possible a material change could occur.

In the fourth quarter of 2020, the Company recorded a goodwill impairment charge of $4.7 million related to the CommAgility reporting unit. The non-cash impairment charge was due to a number of factors that arose as part of our quantitative assessment, including an assessment of our historical results and the significant decline in hardware sales in 2020, the difficulty of predicting future customer demand, the uncertainty of future sales of 4G hardware cards, the uncertainty of the growth of 5G software and services revenues due to the early stages of 5G adoption for new technology and expectations for 5G deployments, the uncertainty of the continued future impacts of the COVID 19 pandemic on customer spending, and the potential for a more prolonged recovery for enterprise spending and longer-term investment. Despite the asset impairment charge, the Company believes the markets in which CommAgility operates, specifically LTE and 5G private networks, have long-term growth potential and the Company is committed to growing the revenue and profitability of the reporting unit.

Due to the many variables inherent in the estimation of a reporting unit's fair value and the relative size of our recorded goodwill, differences in assumptions may have a material effect on the results of our impairment analysis. After recording the 2020 goodwill impairment charge, the Company's consolidated goodwill balance as of December 31, 2020 was comprised of $1.4 million related to the Microlab reporting unit, $6.0 million related to the Holzworth reporting unit and $4.1 million related to the CommAgility reporting unit.

As of December 31, 2019, the Company's consolidated goodwill balance of $10.1 million was comprised of $1.4 million related to the Microlab reporting unit and $8.7 million related to the CommAgility reporting unit. Management's qualitative assessment performed in the fourth quarter of 2019 did not indicate any impairment of goodwill.

Intangible and Long-lived Assets

Intangible assets include acquired technology, patents, non-competition agreements, customer relationships and tradenames. Intangible assets with finite lives are amortized using the straight-line method over the estimated economic lives of the assets, which range from three to twelve years. Long-lived assets, including intangible assets with finite lives, 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 future cash flows resulting from the use of the asset and its eventual disposition. Measurement of an impairment loss for long-lived assets that management expects to hold and use is based on the estimated fair value of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or estimated fair value less costs to sell. The estimated useful lives of intangible and long-lived assets are based on many factors including assumptions regarding the effects of obsolescence, demand, competition and other economic factors, expectations regarding the future use of the asset, and our historical experience with similar assets. The assumptions used to determine the estimated useful lives could change due to numerous factors including product demand, market conditions, technological developments, economic conditions and competition. Intangible assets determined to have indefinite useful lives are not amortized but are tested for impairment annually and more frequently if events occur or circumstances change that indicate an asset may be impaired.

Income taxes

The Company records deferred taxes in accordance with ASC 740, "Accounting for Income Taxes." ASC 740 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 assets and determines the necessity for a valuation allowance.

Realization of the Company's deferred tax assets is dependent upon the Company generating sufficient taxable income in the appropriate tax jurisdictions in future years to obtain benefit from the reversal of net deductible temporary differences and from utilization of net operating losses. The amount of deferred tax assets considered realizable is subject to adjustment in future periods if estimates of future taxable income are changed.

Uncertain tax positions

Under ASC 740, the Company must recognize and disclose uncertain tax positions only if it is more-likely-than-not that the tax position will be sustained on examination by the taxing authority, based on the technical merits of the position. The amounts recognized in the financial statements attributable to such position, if any, are recorded if there is a greater than 50% likelihood of being realized upon the ultimate resolution of the position.

The Company has analyzed its filing positions in all of the jurisdictions where it is required to file income tax returns. As of December 31, 2020 and 2019, the Company has identified its federal tax return and its state tax return in New Jersey as “major” tax jurisdictions, as defined in ASC 740, in which it is required to file income tax returns. As a result of our acquisition of Holzworth on February 7, 2020, Colorado is a “major” tax jurisdiction for fiscal year 2020. Additionally, the Company has identified the United Kingdom as a “major” tax jurisdiction as of December 31, 2020 and 2019. 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 the Company’s Notes to the consolidated financial statements, no reserves for uncertain income tax positions have been recorded pursuant to ASC 740 during the years ended December 31, 2020 and 2019, 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 the next twelve months.

Stock-based compensation

The Company follows the provisions of ASC 718, “Compensation - Stock Compensation” which requires that compensation expense be recognized based on the fair value of equity awards on the date of grant. The fair value of restricted share awards and restricted stock unit awards is determined using the market value of our common stock on the date of the grant. The fair value of stock options at the date of grant is estimated using the Black-Scholes option pricing model. When stock options are granted, the Company takes into consideration guidance under ASC 718 and SEC Staff Accounting Bulletin No. 107 (SAB 107) when determining 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 daily 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 Company accounts for forfeitures for all equity awards when they occur.

Management estimates are necessary in determining compensation expense for stock options with performance-based vesting criteria. Compensation expense for this type of stock-based award is recognized over the period from the date the performance conditions are determined to be probable of occurring through the date the applicable conditions are expected to be met. If the performance conditions are not considered probable of being achieved, no expense is recognized until such time as the performance conditions are considered probable of being met, if ever. Management evaluates whether performance conditions are probable of occurring on a quarterly basis.

Inventories and Inventory Valuation

Inventories are stated at the lower of cost (average cost) or net realizable value. The Company reviews inventory for excess and obsolescence based on best estimates of future demand, product lifecycle status and product development plans.

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 our accounts receivable balance.

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 their 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.

Warranties

The Company generally offers standard warranties against product defects. We estimate future warranty costs to be incurred based on historical warranty claims experience including estimates of material and service costs over the warranty period.

Comparison of the results of operations for the year ended December 31, 2020 with the year ended December 31, 2019

Net Revenues (in thousands)

	Twelve months ended December 31					
	Revenue		% of Revenue		Change	
	2020	2019	2020	2019	Amount	Pct.
RF components	$ 17,667	$ 21,830	42.3%	44.6%	$ (4,163)	-19.1%
Test and measurement	20,551	13,566	49.2%	27.7%	6,985	51.5%
Radio, baseband, software	3,530	13,525	8.5%	27.7%	(9,995)	-73.9%
Total net revenues	$ 41,748	$ 48,921	100.0%	100.0%	$ (7,173)	-14.7%

Consolidated revenues declined $7.2 million or 14.7% due primarily to lower sales in our RBS product group of our digital signal processing hardware cards. Sales of the RBS hardware cards declined $10.7 million from the prior year. The loss was only partially offset by higher sales of our higher margin RBS software and services. Additionally, the acquisition of Holzworth on February 7, 2020 contributed $8.8 million in revenue to our T&M product group in 2020. This acquisition helped offset declines in our Boonton and Noisecom brands, which experienced lower sales from the prior year primarily due to the impacts of the COVID-19 pandemic on capital expenditure spending of our customers. Our RFC product group revenue declined $4.2 million or 19.1% due to lower sales of our passive components as wireless carriers delayed buildouts and upgrades of in-building wireless systems due to the COVID-19 pandemic.

Gross Profit (in thousands)

	Twelve months ended December 31					
	Gross Profit		Gross Profit %		Change	
	2020	2019	2020	2019	Amount	Pct.
RF components	$ 7,695	$ 9,216	43.6%	42.2%	$ (1,521)	-15.9%
Test and measurement	11,347	7,320	55.2%	54.0%	4,027	55.0%
Radio, baseband, software	1,925	5,753	54.5%	42.5%	(3,828)	-66.5%
Total gross profit	$ 20,967	$ 22,289	50.2%	45.6%	$ (1,322)	-5.9%

Consolidated gross profit declined $1.3 million or 5.9% from the prior year. The decrease was primarily due to lower volumes at our RBS and RFC product groups which were only partially offset by the revenue and gross margin contribution of Holzworth. Our gross margin as a percentage of sales increased from 45.6% to 50.2% due to the higher margin software and services sales at our RBS product group, the contribution of higher margin product sales from Holzworth and cost savings initiatives at our RFC product group.

Operating Expenses (in thousands)

	Twelve months ended December 31					
	Operating Expenses		% of Revenue		Change	
	2020	2019	2020	2019	Amount	Pct.
Research and development	$ 6,389	$ 5,917	15.3%	12.1%	$ 472	8.0%
Sales and marketing	6,955	7,677	16.7%	15.7%	(722)	-9.4%
General and administrative	9,907	10,174	23.7%	20.8%	(267)	-2.6%
Goodwill impairment	4,742	-	11.4%	0.0%	4,742	0.0%
Loss on change in fair value of contingent consideration	1,073	-	2.6%	0.0%	1,073	0.0%
Total operating expenses	$ 29,066	$ 23,768	69.6%	48.6%	5,298	22.3%

Research and development expenses increased $472,000 or 8% from the prior year period due to the acquisition of Holzworth which contributed $545,000 in expenses in 2020 and an increase in third party research and development expenses of $500,000 from the prior year primarily related to 5G roadmap development and product development in our Boonton brand. The increase was partially offset by declines in salaries and benefits and other discretionary expenses of approximately $600,000 due primarily to expense reductions including headcount reductions.

Sales and marketing expenses decreased $722,000 from the prior year period due to a decline in salaries and benefits due to expense reduction initiatives including headcount reductions, a decline in external and internal commissions due to lower order and sales volumes and declines in marketing expenses and travel expenses caused by the COVID-19 pandemic. These decreases from the prior year period totaled $1.9 million and were partially offset by the acquisition of Holzworth which contributed $1.2 million in sales and marketing expenses in 2020.

General and administrative expenses decreased $267,000 as increases from the addition of Holzworth of $795,000 and the recognition of $255,000 of deferred Form S-3 costs were offset by decreases in merger and acquisition expenses and other discretionary expenses that declined due to expense reduction initiatives.

The goodwill impairment charge of $4.7 million relates to our CommAgility reporting unit and is the result of our annual goodwill impairment analysis which indicated that the estimated fair value of the CommAgility reporting unit was lower than the carrying value as of the valuation date.

The loss on change in fair value of contingent consideration of $1.1 million relates primarily to the earn-out consideration to be paid in connection with the Holzworth acquisition for the 2020 calendar year. Our estimate of the earn-out payment was increased from our original estimate recorded at the time of the acquisition due to the improved financial results of Holzworth.

Other income/expense

Other income increased $189,000 due primarily to an increase in gains on sales of assets and foreign currency exchange gains.

Interest Expense

Interest expense increased $680,000 due to the interest on our new term loan facility with Muzinich and the amortization of debt issuance costs related to securing the new term loan facility.

Tax

The Company’s consolidated tax benefit decreased $563,000 from the prior year due primarily to taxable income in the US jurisdiction driven primarily by the acquisition of Holzworth.

Net Loss

Net loss increased from $414,000 to $8.1 million due primarily to lower gross profit on lower revenues, the goodwill impairment charge recorded at the CommAgility reporting unit, recognition of the loss on change in fair value of contingent consideration and the increase in interest expense due to our new term loan.

Liquidity and Capital Resources

The Company has two credit facilities – an asset based revolving loan which is subject to a borrowing base calculation (as defined) with Bank of America, N.A. (the "Credit Facility" or the "Revolver") and a term loan facility dated February 7, 2020 with Muzinich BDC Inc. ("Muzinich") to finance the Holzworth Acquisition in the amount of $8.4 million (the "Term Loan Facility"). Additionally, on May 4, 2020 the Company received $2.0 million pursuant to a loan under the PPP of the 2020 CARES Act administered by the Small Business Association.

Revolver

On February 16, 2017 the Company entered into the Credit Facility which provided for a term loan in the aggregate principal amount of $760,000 (the "BOA Term Loan") and the Revolver which has a maximum availability of up to $9.0 million subject to a borrowing base calculation applicable to the Company's assets. The proceeds of the Term Loan and Revolver were used to finance the acquisition of CommAgility. On February 26, 2019 the Company entered into Amendment No. 3 to the Credit Facility which extended the term of the Revolver to March 31, 2020, and on November 8, 2019 the Company entered into Amendment No. 4 to the Credit Facility which extended the maturity date of the Term Loan to March 31, 2020 to coincide with that of the Revolver. On February 7, 2020, in connection with the Holzworth acquisition, the Company entered into Amendment No. 5 to the Credit Facility which, inter alia, extended the Revolver maturity date to March 31, 2023. Additionally, the Company prepaid the remaining principal balance of the BOA Term Loan in the amount of $340,000.

By entering into Amendment No. 5, Holzworth and CommAgility, became borrowers under the Credit Facility. The obligations of the borrowers under the Credit Facility are guaranteed by Wireless Telecom Group, Ltd. CommAgility Limited and Wireless Telecom Group, Ltd. are both wholly owned subsidiaries of the Company.

Amendment No. 5 (a) modified certain provisions of the Credit Facility to accommodate the Holzworth acquisition, the Company's incurrence of the Term Loan Facility and the granting of the related liens and security interests, (b) subject to the satisfaction of certain conditions precedent, made available to CommAgility an asset based revolving loan, subject to a borrowing base calculation applicable to CommAgility's assets, of up to a maximum availability of $5.0 million (the "UK Revolver Commitment"), (c) reduced the interest rate margin applicable to revolving loans made under the Credit Facility from a range of 2.75% to 3.25% to a range of 2.00% to 2.50%, based on the Borrowers' Fixed Charge Coverage Ratio (as defined in the Credit Facility) of the most recently completed fiscal quarter, (d) extended the Revolver Termination Date to March 31, 2023 and (e) conditioned the Borrowers' ability to make certain debt payments under the Term Loan Facility (described below) upon compliance with a liquidity test.

Effectiveness of Amendment No. 5 was conditioned upon, among other things, the prepayment of the remaining principal balance ($304,000) of the $760,000 term loan made available under the Credit Facility and the payment of a closing fee in the amount of $25,000. The borrowers satisfied all such conditions on February 7, 2020.

On May 4, 2020, the Company, its subsidiaries and Bank of America entered into Amendment No. 6 which, among other things, amended the definition of "Debt" to include the PPP loan as long as the proceeds are used for allowable purposes under the CARES Act and the Company promptly submits an application for forgiveness and substantially all of the loan is forgiven.

On February 25, 2021, the Company, its subsidiaries and Bank of America entered into Amendment No. 7 which revised the Credit Facility to accommodate the changes to the deferred purchase price payments to and notes with the Holzworth sellers as described below and provided Bank of America's consent to the Company entering into the Muzinich Second Amendment, as described below. In all other material respects, the Credit Facility remains unchanged.

Any exercise of remedies by Bank of America, N.A. under the Credit Facility is subject to compliance with the intercreditor agreement entered into at the closing of Amendment No. 5 among the Company, Muzinich, as lender under the Term Loan Facility, and Bank of America, N.A.

Term Loan Facility

In connection with the Holzworth acquisition, on February 7, 2020, the Company, as borrower, and its subsidiaries, as guarantors, and Muzinich, entered into the Term Loan Facility, which provides for a term loan in the principal amount of $8.4 million ("Initial Term Loan"), all of which was used to fund the cash portion of the purchase price and related debt and closing fees for the Holzworth acquisition. Principal payments on the Initial Term Loan are $21,000 per quarter with a balloon payment at maturity on February 7, 2025. The Term Loan Facility includes an upfront fee of 2.50% of the aggregate principal amount. The Term Loan Facility provides for an additional $11.6 million term loan (the "Second Term Loan") to be used for a second unannounced acquisition opportunity (the "Additional Acquisition"). There can be no assurance that the Additional Acquisition will be completed. In the event the Additional Acquisition is completed, the Second Term Loan will be made available to the Company on the same terms and conditions as the Initial Term Loan, including interest rate, amortization schedule and financial covenants, subject to the payment of an additional upfront fee and satisfaction of customary conditions to funding.

The Company may prepay the Initial Term Loan at any time. Prepayments made prior to (a) February 7, 2022 are subject to a prepayment premium in the amount of 2.0% of the prepaid principal amount and (b) February 7, 2023 are subject to a prepayment premium in the amount of 1.0% of the prepaid principal amount. The Company is required to make prepayments of the Initial Term Loan with the proceeds of certain asset dispositions, insurance recoveries and extraordinary receipts, subject to specified reinvestment rights. The Company is also required to make prepayments of the Initial Term Loan upon the issuance of certain indebtedness and to make an annual prepayment based upon the Company's excess cash flow. Mandatory prepayments with asset sale, insurance or condemnation proceeds and excess cash flow may be made without penalty. Mandatory prepayments with the proceeds of indebtedness are subject to the same prepayment penalties as are applicable to voluntary prepayments.

The Term Loan Facility is secured by liens on substantially all of the Company's and its subsidiaries' assets including a pledge of the equity interests in the Company's subsidiaries. The Term Loan Facility contains customary affirmative and negative covenants for a transaction of this type, including, among others, the provision of annual, quarterly and monthly financial statements and compliance certificates, maintenance of property, insurance, compliance with laws and environmental matters, restrictions on incurrence of indebtedness, granting of liens, making investments and acquisitions, paying dividends, entering into affiliate transactions and asset sales. In addition, the Company must maintain certain financial covenants typical for this type of arrangement, including a consolidated leverage ratio, a consolidated fixed charge coverage ratio and minimum liquidity of its foreign subsidiaries. The consolidated leverage ratio is defined as the ratio of total consolidated indebtedness, as defined, to consolidated EBITDA, as defined. Prior to Amendment 2 described below, the required leverage ratio started at 4.75 to 1.0 for the twelve month periods ended March 31, 2020 and June 30, 2020, and decreased in various increments to 3.75 to 1.0 for the twelve months ended December 31, 2020, 2.75 to 1.0 for the twelve months ended December 31, 2021 and 2.0 to 1.0 for the twelve months ended December 31, 2022 and thereafter. The consolidated fixed charge coverage ratio is the ratio of consolidated EBITDA, as defined, less consolidated capital expenditures and cash income taxes paid to consolidated fixed charges, as defined, calculated on a twelve-month basis. The consolidated fixed charge coverage ratio for the twelve month periods ended March 31, 2020, June 30 2020 and September 30, 2020 must be 1.35 to 1 and increases in various increments on a quarterly basis to 1.5 to 1.0 for the twelve month period ended December 31, 2020 and 2021, and to 1.75 to 1.0 for the 12 months ending December 31, 2022 and thereafter. Lastly, the Company must maintain minimum liquidity, defined as cash and availability under the UK borrowing base, as defined, of $1.0 million over any trailing four-week period until such time as the foreign subsidiary has positive EBITDA, as defined, for three consecutive quarters and the Holzworth deferred purchase price has been paid in full. The Term Loan Facility also provides for a number of events of default, including, among others, nonpayment, bankruptcy, inaccuracy of representations and warranties, breach of covenant, change in control, entry of final judgement or order, breach of material contracts, and as long as the Company's consolidated leverage ratio is greater than 1.0 to 1.0 (as calculated in accordance with the terms of the Term Loan Facility), the cessation of service of any two of Tim Whelan, Michael Kandell or Daniel Monopoli as Chief Executive Officer, Chief Financial Officer or Chief Technology Officer, respectively, of the Company without acceptable replacements within 60 days. Any exercise of remedies by Muzinich is subject to compliance with the intercreditor agreement entered into at the closing of the Term Loan Facility among the Company, Muzinich and Bank of America, N.A., as lender under the Credit Facility referenced below.

On May 4, 2020, the Company entered into the First Amendment to the Term Loan Facility which, among other things, amended the definition of "Indebtedness" to include the PPP loan as long as the proceeds are used for allowable purposes under the CARES Act, the receipt of the loan does not violate the Credit Facility and the Company submits an application for forgiveness and substantially all of the loan is forgiven.

On February 25, 2021, the Company, its subsidiaries and Muzinich entered into the Second Amendment to the Credit Agreement and Limited Waiver ("Amendment 2") in which Muzinich agreed to waive the Company's obligation to comply with the consolidated leverage ratio and fixed charge coverage ratio financial covenants in the Term Loan Facility for the fiscal quarter ending December 31, 2020. We were not in compliance with such covenants primarily as a result of the impact the COVID-19 pandemic had on our consolidated financial results. Amendment 2, among other things, amended the definition of consolidated EBITDA to include certain cash tax benefits related to our UK tax jurisdiction and reduced our consolidated leverage ratio for the twelve month periods ended September 30, 2021 from 3.00 to 2.75, December 31, 2021 from 2.75 to 2.25, March 31, 2022 from 2.50 to 2.00 and June 30, 2022 from 2.25 to 2.00. Additionally, the interest rate margin was increased from 7.25% to 9.25% effective January 1, 2021 and will step down to 8.50% and 7.25% upon the Company achieving consolidated EBITDA on a trailing twelve-month basis of $4.0 million and $6.3 million, respectively. Muzinich and the Company also agreed on an excess cash flow payment of $428,000 and Muzinich provided consent for the Company to change the deferred purchase price payments to and enter into notes with the Holzworth sellers in the amount of $750,000, as described below.

PPP Loan

On May 4, 2020, the Company received $2.0 million pursuant to a loan from Bank of America N.A. under the PPP program of the 2020 CARES Act administered by the Small Business Association (“SBA”). The loan has an interest rate of 1% and a term of 24 months. A repayment schedule has not yet been provided by Bank of America. Accordingly, the full amount of the term loan has been shown as due in May 2022. Funds from the loan may only be used for certain purposes, including payroll, benefits, rent and utilities. The CARES Act and the PPP provide a mechanism for forgiveness of up to the full amount of the loan upon application to the SBA for forgiveness by the Company. The loan is evidenced by a promissory note, which contains customary events of default relating to, among other things, payment defaults and breaches of representations and warranties. The Company may prepay the loan at any time prior to maturity with no prepayment penalties. The Company applied for forgiveness of the loan in the fourth quarter of 2020 and has elected to account for the loan in accordance with ASC 470 *Debt* unless and until such time that forgiveness is approved by the SBA. The Company can provide no assurance that the loan will be forgiven in whole or in part.

Sources and Uses of Cash

As of December 31, 2020, the Company’s consolidated cash balance was $4.9 million as compared to $4.2 million as of the prior year. No funds were drawn on our Revolver and we had availability under our borrowing base of $7.2 million as of December 31, 2020. The outstanding balances of our Term Loan Facility and PPP Loan were $8.3 million and $2.0 million, respectively.

Our primary sources of cash were the receipt of the Term Loan Facility in the amount of $8.4 million which was used to pay the cash portion of the Holzworth purchase price and related debt and transaction fees, receipt of the PPP loan in the amount of $2.0 million which was used to fund operating payroll during the covered period and cash generated from operations of $3.0 million which was primarily the result of a decrease in net working capital from the prior year (net of the impact of the Holzworth acquired working capital).

Operating Activities

Cash from operations increased from $80,000 in the prior year to $3.0 million in 2020. The increase was due to cash generated from a decrease in working capital from the prior year, net of the acquired working capital of Holzworth. The working capital decrease was primarily due to receipt of the UK tax refund and increased accrued expenses.

Investing Activities

Cash used by investing activities increased from $818,000 in the prior year to $8.6 million in 2020 which includes $8.2 million of cash paid related to the Holzworth acquisition in February 2020 representing $7.2 million in cash paid at close, $750,000 related to the first deferred purchase price payment, and $600,000 in indemnification holdback payments offset by a $292,000 working capital adjustment in the Company’s favor. Capital expenditures were flat at $364,000 in 2020 as compared to $392,000 in the prior year.

Financing Activities

Cash from financing activities increased from a use of cash of $212,000 in the prior year to cash generated of $6.3 million due primarily to the receipt of the Term Loan Facility, net of debt issuance costs and the receipt of the PPP loan.

Holzworth Deferred Purchase Price and Earnout

On February 19, 2021, the Company entered into the Second Amendment with Holzworth and Sellers. The Second Amendment, among other things, converts the second deferred purchase price of $750,000 into unsecured seller notes with interest at an annual rate of 6.5% starting from April 1, 2021 until final payment. The payment date has been changed from March 31, 2021 to three equal installments of $250,000, plus accrued interest, due on July 1, 2021, October 1, 2021 and January 1, 2022.

Additionally, the parties amended the payment dates of the earnout consideration. The payment date of the first earnout payment based on the financial results of the calendar year ended 2020 ("Year 1 Earnout") has been amended from March 31, 2021 to (i) six (6) equal quarterly installments of 10% of the Year 1 Earnout payable on the last business day of each calendar quarter between June 30, 2021 and September 30, 2022 and (ii) one (1) installment payment equal to 40% of the Year 1 Earnout on December 31, 2022. The Year 1 Earnout is payable in cash or shares of the Company's common stock based on the 90 trading day volume weighted average price immediately preceding final determination of the Year 1 Earnout or $2.19 per share. The estimated payment for the Year 1 Earnout is $3.4 million. The payment date for the second earnout payment which is based on the financial results of the calendar year ended 2021 ("Year 2 Earnout") has been amended from March 31, 2022 to four equal quarterly installments payable on the last business day of each calendar quarter between March 31, 2022 and December 31, 2022. The Year 2 Earnout is also payable in cash or stock at the Company's discretion. The aggregate earnout payments of the Year 1 Earnout and the Year 2 Earnout cannot exceed $7.0 million.

The parties also amended the provisions with respect to restrictions on transfer to adjust for the change in timing of earnout payments, as described above. Finally, the parties added a requirement that any earned but unpaid earnout consideration will be accelerated in the event the Company desires to enter into a material asset or equity acquisition in the future.

We expect borrowings available to us under our Credit Facility, our existing cash balance and cash generated by operations will be sufficient to meet our liquidity needs for the next twelve months. Our ability to meet our cash requirements will depend on our ability to generate cash in the future, which is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control, including the COVID-19 pandemic and the significantly decreased demand from our formerly largest customer for our digital signal processing cards and ongoing low sales to that customer due to reduced demand, as well as delayed decisions on large private network projects that we believe are caused by economic uncertainty driven by the pandemic. We expect these uncertainties to extend to our business in the first two quarters of 2021, as sales, deliveries, cash collections, our supply chain and our business partners could be adversely affected.

The Company expects to realize tax benefits in future periods due to the available net operating loss carryforwards resulting from the disposition of a former wholly owned subsidiary in 2010. Accordingly, future taxable income is expected to be offset by the utilization of operating loss carryforwards and as a result will increase the Company's liquidity as cash needed to pay federal and state income taxes will be substantially reduced. Additionally, CommAgility benefits from a research and development deduction which significantly reduces the cash needed to pay taxes in the UK.

On August 27, 2018 the Company filed a shelf registration statement on Form S-3 which was declared effective on September 17, 2018. The Form S-3 will permit the Company to issue and sell, from time to time, up to $40 million in aggregate value of shares of its common stock through one or more methods of distribution, subject to applicable SEC limits on the value of securities that the Company, as a smaller reporting company, may sell during an applicable period, market conditions, and the Company's capital desires and needs.

The terms of any offering of the Company's common stock, and the intended use of the net proceeds resulting therefrom, will be established at the times of the offerings and will be described in prospectus supplements filed with the SEC at the times of the offerings. The shelf registration statement is intended to provide financial flexibility to access capital in a competitive and expeditious manner when market conditions are appropriate. The shelf registration statement expires on September 17, 2021. The Company intends to update the registration statement prior to expiration.

Purchase obligations consist of inventory that arises in the normal course of business operations. Future obligations and commitments as of December 31, 2020 consisted of the following:

Table of Contractual Obligations
Payments by year (in thousands)

	Total	2021	2022	2023	2024	2025	Thereafter
Facility leases	$ 2,210	$ 700	$ 688	$ 328	$ 210	$ 215	$ 69
Operating and equipment leases	157	31	29	29	29	29	10
Purchase obligations	4,278	4,278	-	-	-	-	-
Muzinch term loan	8,316	512	84	84	84	7,552	-
PPP loan	2,045	-	2,045	-	-	-	-
Holzworth deferred purchase price	950	700	250	-	-	-	-
Holzworth earn out	3,423	1,027	2,396	-	-	-	-
	$ 21,379	$ 7,248	$ 5,492	$ 441	$ 323	$ 7,796	$ 79

Off-Balance Sheet Arrangements

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

Effects of Inflation and Changing Prices

The Company does not anticipate that inflation or other expected changes in prices will significantly impact its business.

Recent Accounting Pronouncements Affecting the Company

A discussion of recent accounting pronouncements is included in Note 1 to the Consolidated Financial Statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

Item 8. Financial Statements and Supplementary Data

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

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Wireless Telecom Group, Inc. (the "Company") as of December 31, 2020 and 2019, and the related consolidated statements of operations and comprehensive income/(loss), changes in shareholders' equity and cash flows for each of the two years in the period ended December 31, 2020, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Goodwill Impairment Assessment

As described in Notes 1 and 6 to the consolidated financial statements, the Company's consolidated goodwill balance was $11.5 million as of December 31, 2020. Management evaluates goodwill, at the reporting unit level, for impairment annually during the fourth quarter, or more frequently, if events occur or circumstances change which would indicate that goodwill might be impaired. As a result of declining demand of signal processing hardware from a single customer in one of the Company's reporting units, CommAgility, as well as the high uncertainty associated with the ultimate trajectory of the COVID-19 pandemic, management performed a quantitative analysis of the fair value of the CommAgility reporting unit and determined its fair value was below its carrying value. Fair value of the reporting unit was estimated using a combination of the income approach and the market approach. The Company used a discounted cash flow model for the income approach valuation method and the guideline public company and guideline transaction methods for the market approach valuation method. The determination of the fair value of the reporting unit required management to make significant estimates and assumptions related to projected revenue growth, future operating margins, discount rates and terminal values. As disclosed by management, changes in these estimates and assumptions could have a significant impact on the fair value of the reporting unit, the amount of the goodwill impairment, or both. As a result of the quantitative impairment analysis discussed above, the Company recorded a goodwill impairment of $4.7 million during the year ended December 31, 2020.

The principal considerations for our determination that performing procedures relating to the goodwill impairment assessment of the CommAgility reporting unit is a critical audit matter are (i) the significant judgment by management when developing the fair value measurement of the reporting unit; (ii) a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating management's significant estimates and assumptions in determining the fair value of the reporting unit; and (iii) the audit effort involved the use of professionals with specialized skill and knowledge.

Our audit procedures related to management's evaluation of goodwill impairment included (i) evaluating the appropriateness of the income approach and market approach methods; (ii) testing the underlying data used by the Company in its analysis; and (iii) evaluating the reasonableness of significant estimates and assumptions used by management. Evaluating management's estimates and assumptions involved evaluating whether the estimates and assumptions used by management were reasonable considering (i) the current and past performance of the reporting unit and (ii) whether these assumptions were consistent with evidence obtained in other areas of the audit. We utilized our valuation specialist to assist in evaluating the reasonableness of the Company's valuation methodology. Furthermore, we assessed the appropriateness of the disclosures in the consolidated financial statements.

Business Combination – Acquisition of Holzworth Instrumentation, Inc. ("Holzworth")
In February 2020, the Company completed the acquisition of Holzworth for a purchase price of approximately $12 million, which includes $2.4 million of contingent consideration, estimated at the acquisition date. The Company accounted for the acquisition under the acquisition method of accounting for business combinations. Accordingly, the purchase price was allocated to the assets acquired and liabilities assumed based on their respective fair values, including total intangible assets of $4.3 million. Management, with the assistance of an independent valuation expert, estimated the fair value of the intangible assets using the multi-period excess earnings method and the relief from royalty methodology, which are both variations of the income approach. Additionally, management, with the assistance of an independent valuation expert, estimated the fair value of the contingent consideration using the Monte Carlo Simulation model.

Given the fair value determination of the intangible assets and contingent consideration requires management to make significant estimates and assumptions related to the forecasts of future cash flows and the selection of the discount rate, performing audit procedures to evaluate the reasonableness of these estimates and assumptions required a high degree of auditor judgment and an increased extent of effort, including the need to involve our valuation specialists.

Our auditing procedures related to the forecasts of future cash flows and the selection of the discount rate included (i) obtaining an understanding of management's key assumptions in developing the forecast; (ii) assessing the reasonableness of management's forecasts of future cash flows by comparing the projections to historical results; (iii) evaluating whether the estimated future cash flows were consistent with projections used by the Company, as well as evidence obtained in other areas of the audit; (iv) evaluating the reasonableness of the discount rate and (v) testing the mathematical accuracy of the calculations. Furthermore, we assessed the appropriateness of the disclosures in the consolidated financial statements.

/s/ PKF O'Connor Davies, LLP

New York, New York
March 19, 2021

We have served as the Company's auditor since 2006.

* * * * *

CONSOLIDATED BALANCE SHEETS

Wireless Telecom Group, Inc.
(In thousands, except number of shares and par value)

	December 31 2020	December 31 2019
CURRENT ASSETS		
Cash & cash equivalents	$ 4,910	$ 4,245
Accounts receivable - net of reserves of $38 and $69, respectively	5,520	6,152
Inventories - net of reserves of $1,129 and $969, respectively	8,796	7,325
Prepaid expenses and other current assets	2,172	1,871
TOTAL CURRENT ASSETS	21,398	19,593
PROPERTY PLANT AND EQUIPMENT - NET	1,824	2,147
OTHER ASSETS		
Goodwill	11,512	10,069
Acquired intangible assets, net	5,242	2,219
Deferred income taxes, net	5,701	6,013
Right of use assets	1,680	1,436
Other assets	561	874
TOTAL OTHER ASSETS	24,696	20,611
TOTAL ASSETS	$ 47,918	$ 42,351
CURRENT LIABILITIES		
Short term debt	$ 512	$ 2,696
Accounts payable	1,546	2,227
Short term leases	534	440
Accrued expenses and other current liabilities	7,997	2,657
Deferred revenue	924	42
TOTAL CURRENT LIABILITIES	11,513	8,062
LONG TERM LIABILITIES		
Long term debt	8,895	-
Long term leases	1,200	1,018
Other long term liabilities	82	77
Deferred tax liability	377	503
TOTAL LONG TERM LIABILITIES	10,554	1,598
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY		
Preferred stock, $.01 par value, 2,000,000 shares authorized, none issued	-	-
Common stock, $.01 par value, 75,000,000 shares authorized, 34,888,904 and 34,488,252 shares issued, 21,669,361 and 21,300,252 shares outstanding	349	345
Additional paid in capital	50,163	49,062
Retained earnings/(deficit)	(946)	7,142
Treasury stock at cost, 13,219,543 and 13,188,000 shares	(24,556)	(24,509)
Accumulated other comprehensive income	841	651
TOTAL SHAREHOLDERS' EQUITY	25,851	32,691
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 47,918	$ 42,351

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

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME/(LOSS)

Wireless Telecom Group, Inc.
(In thousands, except per share amounts)

	Twelve Months Ended December 31	
	2020	2019
Net revenues	$ 41,748	$ 48,921
Cost of revenues	20,781	26,632
Gross profit	20,967	22,289
Operating expenses		
Research and development	6,389	5,917
Sales and marketing	6,955	7,677
General and administrative	9,907	10,174
Goodwill impairment charge	4,742	-
Loss on change in fair value of contingent consideration	1,073	-
Total operating expenses	29,066	23,768
Operating loss	(8,099)	(1,479)
Other income/(expense)	187	(2)
Interest expense	(985)	(305)
Loss before taxes	(8,897)	(1,786)
Tax benefit	(809)	(1,372)
Net loss	$ (8,088)	$ (414)
Other comprehensive income/(loss):		
Foreign currency translation adjustments	190	539
Comprehensive income/(loss)	$ (7,898)	$ 125
Loss per share:		
Basic	$ (0.37)	$ (0.02)
Diluted	$ (0.37)	$ (0.02)
Weighted average shares outstanding:		
Basic	21,657	21,111
Diluted	21,657	21,111

In periods with a net loss, the basic loss per share equals the diluted loss per share as all common stock equivalents are excluded from the per share calculation because they are anti-dilutive.

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Wireless Telecom Group, Inc.
(In thousands, except share amounts)

	Common Stock Issued	Common Stock Amount	Additional Paid In Capital	Retained Earnings/(Deficit)	Treasury Stock	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balances at January 1, 2019	**34,393,252**	**$ 344**	**$ 48,479**	**$ 7,556**	**$ (24,509)**	**$ 112**	**$ 31,982**
Net loss	-	-	-	(414)	-	-	(414)
Issuance of restricted stock	95,000	1	(1)	-	-	-	-
Share-based compensation expense	-	-	584	-	-	-	584
Cumulative translation adjustment	-	-	-	-	-	539	539
Balances at December 31, 2019	**34,488,252**	**$ 345**	**$ 49,062**	**$ 7,142**	**$ (24,509)**	**$ 651**	**$ 32,691**
Net loss	-	-	-	(8,088)	-	-	(8,088)
Issuance of shares in connection with stock options exercised	20,000	-	15	-	-	-	15
Issuance of restricted stock	50,000	1	(1)	-	-	-	-
Forfeiture of restricted stock	(16,667)	-	-	-	-	-	-
Issuance of shares in connection with Holzworth acquisition	347,319	3	462	-	-	-	465
Issuance of warrants	-	-	151	-	-	-	151
Shares withheld for employee taxes	-	-	-	-	(47)	-	(47)
Share-based compensation expense	-	-	474	-	-	-	474
Cumulative translation adjustment	-	-	-	-	-	190	190
Balances at December 31, 2020	**34,888,904**	**$ 349**	**$ 50,163**	**$ (946)**	**$ (24,556)**	**$ 841**	**$ 25,851**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Wireless Telecom Group, Inc.
(In thousands)

	For the Twelve Months Ended December 31 2020	2019
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		
Net loss	$ (8,088)	$ (414)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	2,238	2,151
Goodwill impairment	4,742	-
Amortization of debt issuance fees	297	63
Share-based compensation expense	474	584
Deferred rent	(29)	(24)
Deferred income taxes	178	(551)
Provision for doubtful accounts	(31)	25
Inventory reserves	157	103
Changes in assets and liabilities, net of acquisition:		
Accounts receivable	1,209	2,465
Inventories	(186)	(502)
Prepaid expenses and other assets	923	42
Accounts payable	(842)	(1,055)
Payment of contingent consideration	-	(772)
Accrued expenses and other liabilities	1,938	(2,035)
Net cash provided by operating activities	2,980	80
CASH FLOWS USED BY INVESTING ACTIVITIES		
Capital expenditures	(364)	(392)
Acquisition of business, net of cash acquired	(8,246)	(426)
Net cash used by investing activities	(8,610)	(818)
CASH FLOWS PROVIDED/(USED) BY FINANCING ACTIVITIES		
Revolver borrowings	39,935	36,544
Revolver repayments	(42,289)	(35,712)
Term loan borrowings	8,400	-
Term loan repayments	(426)	(152)
Debt issuance fees	(1,327)	(110)
Paycheck Protection Program loan	2,045	-
Payment of contingent consideration	-	(782)
Proceeds from exercise of stock options	16	-
Tax withholding payments for vested equity awards	(46)	-
Net cash provided/(used) by financing activities	6,308	(212)
Effect of exchange rate changes on cash and cash equivalents	(13)	180
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	665	(770)
Cash and cash equivalents, at beginning of period	4,245	5,015
CASH AND CASH EQUIVALENTS, AT END OF PERIOD	$ 4,910	$ 4,245
SUPPLEMENTAL INFORMATION:		
Cash paid during the period for interest	$ 703	$ 185
Cash paid during the period for income taxes	$ 65	$ 108
Non cash issuance of common stock in connection with acquisition – see Note 2		

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

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

Organization and Basis of Presentation

Wireless Telecom Group, Inc., a New Jersey corporation, together with its subsidiaries ("we", "us", "our" or the "Company"), specializes in the design and manufacture of advanced radio frequency ("RF") and microwave devices which enable the development, testing and deployment of wireless technology. The Company provides unique, highly customized and configured solutions which drive innovation across a wide range of traditional and emerging wireless technologies.

Our customers include wireless carriers, aerospace companies, defense contractors, military and government agencies, satellite communication companies, network equipment manufacturers, tower companies, semiconductor device manufacturers, system integrators, neutral host providers and medical device manufacturers.

Our products include components, modules, instruments, systems and software used across the lifecycle of wireless connectivity and communication development, deployment and testing. Our customers use these products in relation to commercial infrastructure development, the expansion and upgrade of distributed antenna systems, deployment of small cell technology, use of medical devices and private long-term evolution ("LTE") and 5G networks. In addition, the Company's products are used in the development and testing of satellite communication systems, radar systems, semiconductor devices, automotive electronics and avionics.

The accompanying consolidated financial statements include the accounts of Wireless Telecom Group, Inc., doing business as and operating under the trade name, Noisecom, and its wholly owned subsidiaries including Boonton Electronics Corporation ("Boonton"), Microlab/FXR LLC ("Microlab"), Holzworth Instrumentation, Inc. ("Holzworth"), Wireless Telecommunications Ltd. and CommAgility Limited ("CommAgility"). They have been prepared using accounting principles generally accepted in the United States ("U.S. GAAP"). All intercompany transactions and balances have been eliminated in consolidation.

In June 2020 the Company completed an internal reorganization and now presents its operations as one reportable segment. Prior to June 2020 the Company presented its operations in three reportable segments. The Company identifies segments in accordance with ASC 280 *Segment Reporting* ("ASC 280"). As a result of internal reorganizations that occurred over the six to nine months prior to June 30, 2020 the Company evaluated its segment reporting. We determined that the Chief Operating Decision Maker ("CODM") as defined in ASC 280 evaluates operating results and makes decisions on how to allocate resources at the consolidated level. Although the CODM reviews key performance indicators including bookings, shipments and gross profit at a product group level, this information by itself is not sufficient enough to make operating decisions. Rather, operating decisions are made based on review of consolidated profitability metrics rather than the individual results of each product group.

Use of Estimates

The accompanying financial statements have been prepared in accordance with U.S. GAAP, which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. The most significant estimates and assumptions include management's analysis in support of inventory valuation, accounts receivable valuation, valuation of deferred tax assets, returns reserves, warranty accruals, goodwill and intangible assets, estimated fair values of stock options and vesting periods of performance-based stock options and restricted stock.

Concentrations of Credit Risk, Purchases and Fair Value

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents and trade accounts receivable.

Credit evaluations are performed on customers requiring credit over a certain amount. Credit risk is mitigated to a lesser extent through collateral such as letters of credit, bank guarantees or payment terms like cash in advance.

For the twelve months ended December 31, 2020, no one customer accounted for more than 10% of the Company's total consolidated revenues. For the twelve months ended December 31, 201,9 one CommAgility customer accounted for 24.8% of the Company's total consolidated revenues. At December 31, 2020, one customer exceeded 10% of consolidated gross accounts receivable at 12.7%. At December 31, 2019 one customer exceeded 10% of consolidated gross accounts receivable at 12.9%.

For the year ended December 31, 2020, two suppliers exceeded 10% of consolidated inventory purchases at 14% each. For the year ended December 31, 2019, three suppliers comprised or exceeded 10% of consolidated inventory purchases at 18% and 14% and 10%, respectively.

Cash and Cash Equivalents

Cash and cash equivalents represent deposits in banks and highly liquid investments purchased with maturities of three months or less at the date of purchase.

Accounts Receivable and Allowance for Doubtful Accounts

Trade accounts receivable and contract assets for unbilled receivables are stated at the amount owed by the customer, net of allowances for doubtful accounts, returns and rebates. Estimated allowances for doubtful accounts are reviewed periodically taking into account the customer's recent payment history, the customer's current financial statements and other information regarding the customer's credit worthiness. Account balances are charged off against the allowance when it is determined the receivable will not be recovered.

Inventories

Inventories are stated at the lower of cost or net realizable value. Inventory cost is determined on an average cost basis. Net realizable value is based upon an estimated average selling price reduced by estimated costs of completion, disposal and transportation. Reductions in inventory valuation are included in cost of revenues in the accompanying Consolidated Statements of Operations and Comprehensive Income/Loss. Finished goods and work-in-process include material, labor and overhead expenses.

The Company reviews inventory for excess and obsolescence based on best estimates of future demand, product lifecycle status and product development plans. The Company uses historical information along with these future estimates to reduce the inventory cost basis. Subsequent changes in facts and circumstances do not result in the restoration or increase in that newly established cost basis.

Inventory carrying value is net of inventory reserves of approximately $1.1 million as of December 31, 2020 and $1.0 million as of December 31, 2019.

Inventories consist of (in thousands):	December 31, 2020	December 31, 2019
Raw materials	$ 4,644	$ 4,023
Work-in-process	618	406
Finished goods	3,534	2,896
	$ 8,796	$ 7,325

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets generally consist of income tax receivables, contract assets for unbilled receivables, prepaid insurance, prepaid maintenance agreements and the short term portion of debt issuance costs. The income tax receivable balance included in prepaid and other current assets was $1.2 million and $1.1 million as of December 31, 2020 and December 31, 2019, respectively.

Property, Plant and Equipment

Property, plant and equipment are reflected at cost, less accumulated depreciation. Upon application of acquisition accounting, property, plant and equipment are measured at estimated fair value as of the acquisition date to establish a new historical cost basis.

Depreciation and amortization are provided on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives for the property, plant and equipment are:

Machinery and computer equipment/software	3-8 years
Furniture and fixtures	5-7 years

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

Business Combinations

The Company uses the acquisition method of accounting for business combinations which requires the tangible and intangible assets acquired and liabilities assumed to be recorded at their respective fair market value as of the acquisition date. Goodwill represents the excess of the consideration transferred over the fair value of the net assets acquired. The fair values of the assets acquired and liabilities assumed are determined based upon the Company's valuation and involves making significant estimates and assumptions based on facts and circumstances that existed as of the acquisition date. The Company uses a measurement period following the acquisition date to gather information that existed as of the acquisition date that is needed to determine the fair value of the assets acquired and liabilities assumed. The measurement period ends once all information is obtained, but no later than one year from the acquisition date.

Goodwill

Goodwill represents the excess of the aggregate purchase price over the fair value of the net assets acquired in a purchase business combination. Goodwill is evaluated for impairment annually, or more frequently if events occur or circumstances change that would indicate that goodwill might be impaired, by first performing a qualitative evaluation of events and circumstances impacting the reporting unit to determine the likelihood of goodwill impairment. Based on that qualitative evaluation, if the Company determines it is more likely than not that the fair value of a reporting unit exceeds its carrying amount, no further evaluation is necessary. Otherwise we perform a quantitative impairment test.

The Company has three reporting units with goodwill – Holzworth, Microlab and CommAgility. The Company performed a qualitative assessment in the fourth quarter of 2020 of each reporting unit. The qualitative assessment of Holzworth and Microlab did not indicate any impairment of goodwill. As a result of declining demand of CommAgility's signal processing hardware cards from a single customer and the particularly high uncertainty associated with the ultimate trajectory of the pandemic, including the degree to which governments continue to restrict business and personal activities, and the impact that uncertainty has on the growth of new software license and services revenue to offset the signal processing hardware sales decline, the Company performed a quantitative impairment test of the goodwill of the CommAgility reporting unit.

For goodwill impairment testing using the quantitative approach, the Company estimates the fair value of the selected reporting unit using the income approach and the market approach. Fair value under the income approach is derived primarily through the use of a discounted cash flow model based on our best estimate of amounts and timing of future revenues and cash flows and our most recent business and strategic plans. Fair value under the market approach is derived by applying a multiple to our best estimate of future revenue. The Company applies equal weighting to the income approach and the market approach to arrive at an estimated fair value. The estimated fair value is compared to the carrying value of the reporting unit, including goodwill. If the fair value of the reporting unit exceeds the carrying value, no impairment charge is recorded. If the carrying value of the reporting unit exceeds the fair value an impairment charge is recorded to goodwill in the amount by which carrying value exceeds fair value. Both the income approach and market approach require judgmental assumptions about projected revenue growth, future operating margins, discount rates and terminal values over a multi-year period. There are inherent uncertainties related to these assumptions and management's judgment in applying them to the analysis of goodwill impairment. While the Company believes it has made reasonable estimates and assumptions to calculate the fair value of its reporting units, it is possible a material change could occur.

In the fourth quarter of 2020, the Company recorded a goodwill impairment charge of $4.7 million related to the CommAgility reporting unit. The non-cash impairment charge was due to a number of factors that arose as part of our quantitative assessment, including an assessment of our historical results and the significant decline in hardware sales in 2020, the difficulty of predicting future customer demand, the uncertainty of future sales of 4G hardware cards, the uncertainty of the growth of 5G software and services revenues due to the early stages of 5G adoption for new technology and expectations for 5G deployments, the uncertainty of the continued future impacts of the COVID 19 pandemic on customer spending, and the potential for a more prolonged recovery for enterprise spending and longer-term investment. Despite the asset impairment charge the Company believes the markets in which CommAgility operates, specifically LTE and 5G private networks, have long term growth potential and the Company is committed to growing the revenue and profitability of the reporting unit.

Due to the many variables inherent in the estimation of a reporting unit's fair value and the relative size of our recorded goodwill, differences in assumptions may have a material effect on the results of our impairment analysis. After recording the 2020 goodwill impairment charge, the Company's consolidated goodwill balance as of December 31, 2020 was comprised of $1.4 million related to the Microlab reporting unit, $6.0 million related to the Holzworth reporting unit and $4.1 million related to the CommAgility reporting unit.

As of December 31, 2019, the Company's consolidated goodwill balance of $10.1 million was comprised of $1.4 million related to the Microlab reporting unit and $8.7 million related to the CommAgility reporting unit. Management's qualitative assessment performed in the fourth quarter of 2019 did not indicate any impairment of goodwill.

Intangible and Long-lived Assets

Intangible assets include acquired technology, patents, non-competition agreements, customer relationships and tradenames. Intangible assets with finite lives are amortized using the straight-line method over the estimated economic lives of the assets, which range from three to twelve years. Long-lived assets, including intangible assets with finite lives, 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 future cash flows resulting from the use of the asset and its eventual disposition. Measurement of an impairment loss for long-lived assets that management expects to hold and use is based on the estimated fair value of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or estimated fair value less costs to sell. The estimated useful lives of intangible and long-lived assets are based on many factors including assumptions regarding the effects of obsolescence, demand, competition and other economic factors, expectations regarding the future use of the asset, and our historical experience with similar assets. The assumptions used to determine the estimated useful lives could change due to numerous factors including product demand, market conditions, technological developments, economic conditions and competition. Intangible assets determined to have indefinite useful lives are not amortized but are tested for impairment annually and more frequently if events occur or circumstances change that indicate an asset may be impaired.

Fair Value of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the reporting date. The accounting guidance establishes a three-tiered hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The categorization of a financial instrument within the valuation hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The carrying amounts of the Company's financial instruments, including cash, accounts receivable, accounts payable and accrued liabilities, approximate fair value due to their relatively short maturities. The Company's term loan and revolving credit facility bear interest at a variable interest rate plus an applicable margin and, therefore, carrying amount approximates fair value. We believe the carrying value of the loan obtained under the Paycheck Protection Program approximates fair value due to the expected short term nature of the loan.

During the fourth quarter of 2020, the Company recorded a goodwill impairment charge of $4.7 million related to the CommAgility reporting unit. The determination of the impairment charge was based on the income and market approaches which are based on the present value of future cash flows and an estimated multiple of future revenues, respectively. The determination of the impairment charge was based on Level 3 valuation inputs.

Contingent Consideration

Under the terms of the Holzworth Share Purchase Agreement (as defined in Note 2) the Company is required to pay additional purchase price in the form of deferred purchase price payments and an earnout if certain financial targets are achieved for the years ending December 31, 2020 and December 31, 2021 (see Note 2). As of the acquisition date, the Company estimated the fair value of the deferred purchase price and earnout remaining to be paid related to the 2020 and 2021 financial targets to be $660,000 and $2.4 million, respectively. The earnout may be paid in cash or common stock at the Company's option. The Company is required to reassess the fair value of the contingent consideration at each reporting period.

The significant inputs used in this fair value estimate include estimated gross revenues and Adjusted EBITDA, as defined in the Holzworth Share Purchase Agreement, and scenarios for the earnout periods for which probabilities are assigned to each scenario to arrive at a single estimated outcome. The estimated outcome is then discounted based on the individual risk analysis of the liability. The contingent consideration liabilities are considered a Level 3 fair value measurement.

Due to the better than expected financial performance of the Holzworth reporting unit during fiscal 2020, the Company recorded an increase to the contingent consideration liabilities in the amount of $1.1 million in the fourth quarter of 2020. The adjustment was recorded as a loss on change in fair value of contingent consideration in the Consolidated Statement of Operations and Comprehensive Income/(Loss).

Foreign Currency Translation

Assets and liabilities of non-U.S. subsidiaries that operate in a local currency environment, where the local currency is the functional currency, are translated from foreign currencies into U.S. dollars at period-end exchange rates while income and expenses are translated at the weighted average spot rate for the periods presented. Translation gains or losses related to net assets located outside the U.S. are shown as a component of accumulated other comprehensive income in the Consolidated Statements of Changes in Shareholders' Equity.

Aggregate foreign currency gains and losses, such as those resulting from the settlement of receivables or payables in a currency other than the subsidiary's functional currency, are recorded in the Consolidated Statements of Operations and Comprehensive Income/(Loss) (included in other income/expense). Foreign currency transaction gains were $64,000 in fiscal 2020. Foreign currency transaction losses in in fiscal 2019 were not material.

Other Comprehensive Income/(Loss)

Other comprehensive income/(loss) is recorded directly to a separate section of shareholders' equity in accumulated other comprehensive income and includes unrealized gains and losses excluded from net income/(loss). These unrealized gains and losses consist of changes in foreign currency translation.

Research and Development Costs

Research and development (R&D) costs are charged to operations when incurred. R&D costs include salaries and benefits, depreciation expense on equipment used for R&D purposes and third-party material and consulting costs, if clearly related to an R&D activity. Salaries and benefits of engineers working on customer contracts for which the Company is earning services or consulting revenues are allocated to costs of revenues. The amounts charged to operations for R&D costs for the years ended December 31, 2020 and 2019 were $6.4 million and $5.9 million, respectively.

Advertising Costs

Advertising expenses are charged to operations during the year in which they are incurred and aggregated to $235,000 and $91,000 for the years ended December 31, 2020 and 2019, respectively.

Stock-Based Compensation

The Company follows the provisions of Accounting Standards Codification ("ASC") 718, "Compensation – Stock Compensation" which requires that compensation expense be recognized, based on the fair value of the equity awards on the date of grant. The fair value of restricted share awards and restricted stock unit awards is determined using the market value of our common stock on the date of the grant. The fair value of stock options at the date of grant are estimated using the Black-Scholes option pricing model. When performance-based stock options are granted, the Company takes into consideration guidance under ASC 718 and SEC Staff Accounting Bulletin No. 107 (SAB 107) when determining 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 daily 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 Company accounts for forfeitures for all equity awards when they occur.

Management estimates are necessary in determining compensation expense for stock options with performance-based vesting criteria. Compensation expense for this type of stock-based award is recognized over the period from the date the performance conditions are determined to be probable of occurring through the implicit service period, which is the date the applicable conditions are expected to be met. If the performance conditions are not considered probable of being achieved, no expense is recognized until such time as the performance conditions are considered probable of being met, if ever. If the award is forfeited because the performance condition is not satisfied, previously recognized compensation cost is reversed. Management evaluates performance conditions on a quarterly basis.

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.

Under ASC 740, the Company must recognize and disclose uncertain tax positions 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 amounts recognized in the financial statements attributable to such position, if any, are recorded if there is a greater than 50% likelihood of being realized upon the ultimate resolution of the position. 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.

Earnings/(Loss) Per Common Share

Basic earnings/(loss) per share is calculated by dividing net 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 is calculated by dividing net income/(loss) available to common shareholders by the weighted average number of common shares outstanding for the period and, when dilutive, potential shares from stock options using the treasury stock method, the weighted average number of unvested restricted shares, the weighted-average number of restricted stock units and the weighted average number of warrants to purchase common stock outstanding for the period. Shares from stock options and warrants are included in the diluted earnings per share calculation only when options exercise prices are lower than the average market value of the common shares for the period presented. In periods with a net loss, the basic loss per share equals the diluted loss per share as all common stock equivalents are excluded from the per share calculation because they are anti-dilutive. In accordance with ASC 260, "Earnings Per Share", the following table reconciles basic shares outstanding to fully diluted shares outstanding.

	For the Years Ended December 31,	
	2020	2019
Weighted average common shares outstanding	21,656,906	21,110,632
Potentially dilutive equity awards	313,341	522,996
Weighted average common shares outstanding, assuming dilution	21,970,247	21,633,628

The weighted average number of options and warrants to purchase common stock not included in diluted loss per share because the effects are anti-dilutive, or the performance condition was not met in 2020 was 3,114,792. The estimated number of shares issuable under the terms of the Holzworth earnout, if the entire earnout was paid in shares of common stock, (see Note 2) at December 31, 2020 was 1,559,807.

The weighted average number of options to purchase common stock not included in diluted loss per share in 2019, because the effects are anti-dilutive or the performance condition was not met, was 1,324,548.

Recent Accounting Pronouncements Adopted in 2020

In August 2018, the FASB issued ASU 2018-15, *Intangibles – Goodwill and Other – Internal-Use Software, Customers Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract.* ASU 2018-15 aligns the requirements for capitalizing implementation costs in cloud computing arrangements with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. This pronouncement is effective for the Company's 2020 calendar year, with early adoption permitted. The adoption of this standard did not have a material impact on our consolidated financial statements.

Recent Accounting Pronouncements Not Yet Adopted

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326)*. ASU 2016-13 changes the impairment model for most financial assets and will require the use of an "expected loss" model for instruments measured as amortized cost. This pronouncement is effective for small reporting companies for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2022. The Company plans to adopt the standard effective January 1, 2023. We do not expect the adoption of this standard to have a material impact on our consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740) Simplifying the Accounting for Income Taxes.* The amendments simplify the accounting for income taxes by removing certain exceptions to the general principles of Topic 740 and improve consistent application by clarifying and amending existing guidance. The new standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. Early adoption is permitted, with the amendments to be applied on a retrospective, modified retrospective or prospective basis, depending on the specific amendment. We do not expect the adoption of this standard to have a material impact on our consolidated financial statements.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting.* The amendments provide optional expedients and exceptions for applying generally accepted accounting principles to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The amendments are intended to ease the potential burden in accounting for, or recognizing the effects of, reference rate reform on financial reporting. The new standard is effective March 12, 2020 through December 31, 2022, with the adoption date being dependent upon the Company's election. We do not expect the adoption of this standard to have a material impact on our consolidated financial statements.

NOTE 2 – Acquisition of Holzworth

On November 13, 2019 the Company entered into a Share Purchase Agreement with Holzworth Instrumentation Inc. ("Holzworth"), its founders and shareholders (collectively, the "Sellers"), as amended by a First Amendment to Share Purchase Agreement, dated January 31, 2020 and a Second Amendment to Share Purchase Agreement dated February 19, 2021 (collectively, the "Share Purchase Agreement"). On February 7, 2020, the Company completed the acquisition (the "Acquisition") of all of the outstanding shares of Holzworth, from the Sellers. Holzworth instruments which include signal generators and phase noise analyzers are used by government labs, aerospace and defense companies, the semiconductor industry, and network equipment providers, among others, in research and automated test environments. Holzworth is a complimentary business for our Boonton and Noisecom brands with a common customer base and channel partners. For the twelve months ended December 31, 2020, net revenues of $8.8 million, and operating income of $1.4 million, respectively, was included in the Consolidated Statements of Operations and Comprehensive Income/(Loss) related to the Holzworth business, representing the results from the date of acquisition. For the twelve months ended December 31, 2020, the Company recorded $243,000 of transaction expenses related to the Acquisition and these expenses were recognized in general and administrative expenses in the Consolidated Statements of Operations and Comprehensive Income/(Loss).

The aggregate purchase price for the Acquisition is a maximum of $17.0 million, consisting of payments in cash and stock, a working capital adjustment, and contingent consideration in the form of deferred purchase price payments and an earnout. Additionally, the parties made a 338(h)(10) election to treat the Acquisition as a purchase and sale of assets, and the Company has agreed to pay any incremental taxes of Sellers resulting from that election.

At closing, a portion of the purchase price was paid to the Sellers through the issuance of 347,319 shares of the Company's common stock, valued at approximately $500,000 based upon a 90-day volume weighted average price for shares of stock of the Company. The shares issued to the Sellers are subject to Lock-up and Voting Agreements.

During 2020, the Company paid $8.3 million in net cash to the Sellers consisting of $7.2 million in cash at close, $600,000 in indemnification holdback payments and $750,000 in deferred purchase price reduced by $292,000 of a working capital adjustment that was owed to the Company by the Sellers. The final indemnification holdback payment of $200,000 is due on March 31, 2021.

The Sellers earned a second deferred purchase price payment of $750,000 by way of exceeding $1.25 million in EBITDA (as defined in the Share Purchase Agreement) for the twelve months ended December 31, 2020. Additionally, the Sellers earned $3.4 million in additional purchase price in the form of an earnout ("Year 1 Earnout") which was also based on Holzworth's EBITDA for the twelve months ended December 31, 2020.

On February 19, 2021, the Company entered into the Second Amendment to Share Purchase Agreement (the "Second Amendment") with Holzworth. The Second Amendment, among other things, converted the second deferred purchase price of $750,000 into unsecured seller notes with interest at an annual rate of 6.5% starting from April 1, 2021 until final payment. The payment date has been changed from March 31, 2021 to three equal installments of $250,000, plus accrued interest, due on July 1, 2021, October 1, 2021 and January 1, 2022.

Additionally, the parties amended the payment dates of the earnout consideration. The payment date of the first earnout payment based on the financial results of the calendar year ended 2020 ("Year 1 Earnout") has been amended from March 31, 2021 to (i) six (6) equal quarterly installments of 10% of the Year 1 Earnout payable on the last business day of each calendar quarter between June 30, 2021 and September 30, 2022 and (ii) one (1) installment payment equal to 40% of the Year 1 Earnout on

December 31, 2022. The Year 1 Earnout is payable in cash or shares of the Company's common stock based on the 90 trading day volume weighted average price immediately preceding final determination of the Year 1 Earnout or $2.19 per share. The estimated payment for the Year 1 Earnout is $3.4 million which is recorded in accrued expenses and other current liabilities in the Consolidated Balance Sheet as of December 31, 2020.

The Company may also be required to pay additional amounts in cash and stock as earnout consideration based on Holzworth's EBITDA for the fiscal year ending December 31, 2021 ("Year 2 Earnout"). The Year 2 Earnout will be equal to two times the amount, if any, by which Holzworth's EBITDA for fiscal year December 31, 2021 exceeds Holzworth's EBITDA for fiscal year 2020. Pursuant to the Second Amendment to the Share Purchase Agreement the Year 2 Earnout is payable in 4 equal quarterly installments payable on the last business day of each calendar quarter between March 31, 2022 and December 31, 2022. The aggregate earnout payments cannot exceed $7.0 million.

Pursuant to the Share Purchase Agreement the Company entered into a lock-up and voting agreement (the "Lock-up and Voting Agreement") with each of the Sellers. Pursuant to the Lock-up and Voting Agreement, each Seller agrees to restrict the sale, assignment, transfer, encumbrance or other disposition of its portion of the Stock Consideration (the "Lock-up Shares"). For a period commencing on the closing date of the Acquisition (the "Effective Date") and ending on the date which is 36 calendar months following the Effective Date, each Seller agreed that, without the prior written consent by the Company, such Seller would not sell, assign, transfer, encumber or otherwise dispose of the Lock-up Shares or enter into any swap, option or short sale, among other transactions. Upon the prior written consent of the Company, a Seller may transfer Lock-up Shares as a bona fide gift, by will or intestacy or to a family member or trust for the benefit of the Seller or a family member; *provided* that any recipient of the Lock-up Shares sign and deliver to the Company a lock-up and voting agreement substantially in the form of the Lock-up and Voting Agreement. The Lock-up Shares cease to be locked up in the event of a Change of Control of the Company (as defined in the Lock-up and Voting Agreement). In the Second Amendment, the parties also amended the provisions with respect to restrictions on transfer to adjust for the change in timing of earnout payments, as described above.

In addition, each Seller, subject to certain limitations, agreed, among other things, to appear at each meeting of the shareholders of the Company and vote all of such Seller's Lock-up Shares (a) in favor or against any proposal presented to the shareholders in the same manner that the Company's Board of Directors (the "Board") recommends shareholders vote on such proposal and (b) in favor of any proposal presented to the shareholders with respect to an action of the Company which the Board has approved, but as to which the Board has not made any recommendation, including in favor of any proposal to adjourn or postpone any meeting of the Company's shareholders if such adjournment or postponement is conducted in accordance with the terms of the Lock-up and Voting Agreement.

To the extent any shares of Company common stock are issued in payment of any Earnout Consideration (as defined in the Share Purchase Agreement) in accordance with the terms of the Share Purchase Agreement, such shares shall be subject to all applicable transfer restrictions, voting and other provisions set forth in the Lock-up and Voting Agreement, with the Effective Date with respect to such shares being the date such shares are issued; provided that, to the extent the portion of the first $1.5 million of Earnout Consideration that is paid in cash represents less than 30% of such Earnout Consideration, the portion of shares of Company common stock issued as Earnout Consideration constituting the difference between the cash percentage paid and 30% of the first $1.5 million of Earnout Consideration shall not be considered Lock-Up Shares. In addition, in the Second Amendment, the parties added a requirement that any earned but unpaid earnout consideration will be accelerated in the event the Company desires to enter into a material asset or equity acquisition in the future.

The acquisition has been accounted for under the acquisition method of accounting in accordance with ASC 805, *Business Combinations*. Accounting for acquisitions requires us to recognize separately from goodwill the assets acquired and the liabilities assumed at their acquisition date fair values. Goodwill as of the acquisition date is measured as the excess of consideration transferred over the net of the acquisition date fair values of the assets acquired and the liabilities assumed. While we use our best estimates and assumptions to accurately value assets acquired and liabilities assumed at the acquisition date our estimates are inherently uncertain and subject to refinement. Various valuation techniques were used to estimate the fair value of assets acquired and the liabilities assumed which use significant unobservable inputs, or Level 3 inputs as defined by the fair value hierarchy. Using these valuation approaches requires the Company to make significant estimates and assumptions.

As of September 30, 2020, the valuation studies necessary to determine the fair market value of the assets acquired and liabilities assumed were completed, including the validation of the underlying cash flows used to determine the fair value of the identified intangible assets and contingent consideration. The following amounts represent the determination of the fair value of identifiable assets acquired and liabilities assumed from the Acquisition along with measurement period adjustments recorded from the preliminary purchase price allocation to September 30, 2020 (in thousands):

	Amounts Recognized as of Acquisition Date	Measurement Period Adjustments	Amounts Recognized as of Acquisition Date (as adjusted)
Cash at close	$ 7,219	$ -	$ 7,219
Equity issued at close	465	-	465
Purchase price holdback	800	-	800
Working capital adjustment	(295)	3	(292)
Deferred purchase price	1,300	110	1,410
Contingent consideration	555	1,885	2,440
Total purchase price	10,044	1,998	12,042
Cash	30	-	30
Accounts receivable	485	29	514
Inventory	1,218	220	1,438
Intangible assets	4,500	(240)	4,260
Other assets	960	7	967
Fixed assets	144	-	144
Accounts payable	(129)	-	(129)
Accrued expenses	(425)	(4)	(429)
Deferred revenue	(13)	-	(13)
Other long term liabilities	(740)	-	(740)
Net assets acquired	6,030	12	6,042
Goodwill	$ 4,014	$ 1,986	$ 6,000

Goodwill is calculated as the excess of consideration paid over the net assets acquired and represents synergies, assembled workforce, organic growth and other benefits that are expected to arise from integrating Holzworth into our operations. The goodwill recorded in this transaction is expected to be tax deductible.

The following unaudited pro forma information presents the Company's operations as if the Holzworth acquisition and related financing activities had occurred on January 1, 2019. The pro forma information includes the following adjustments (i) amortization of acquired intangible assets; (ii) interest expense incurred in connection with the Term Loan Facility (described in further detail in Note 3) used to finance the acquisition of Holzworth; and (iii) inclusion of acquisition-related expenses in the earliest period presented. The amounts related to Holzworth included in the following unaudited pro forma information are based on their historical results and, therefore, may not be indicative of the actual results when operated as part of the Company. The pro forma adjustments represent management's best estimates based on information available at the time the pro forma information was prepared and may differ from the adjustments that may actually have been required. Accordingly, the unaudited pro forma financial information should not be relied upon as being indicative of the results that would have been realized had the Holzworth acquisition occurred as of the date indicated or that may be achieved in the future.

The following table presents the unaudited pro forma consolidated results of operations for the Company for the twelve months ended December 31, 2020 and 2019 as though the Acquisition had been completed as of January 1, 2019 (in thousands, except per share amounts):

	2020 Pro-forma		2019 Pro-forma	
Net revenues	$	41,845	$	54,761
Net income/(loss)	$	(8,212)	$	(1,754)
Earnings per diluted share	$	(0.38)	$	(0.08)

NOTE 3 – Debt

Debt consists of the following (in thousands):

	December 31, 2020	
Revolver at LIBOR plus margin	$	-
Term loan at LIBOR plus margin		8,316
Less: Debt issuance costs, net of amortization		(831)
Less: Fair value of warrants, net of amortization		(123)
Paycheck Protection Program loan		2,045
Total Debt		9,407
Less: Debt maturing within one year		(512)
Non-current portion of long term debt	$	8,895

Term loan payments by period (in thousands):

2021	$	512
2022		2,129
2023		84
2024		84
2025		7,552
Total	**$**	**10,361**

In connection with the Holzworth acquisition, on February 7, 2020, the Company, as borrower, and its subsidiaries, as guarantors, and Muzinich BDC, Inc., as lender ("Muzinich"), entered into a Term Loan Facility, which provides for a term loan in the principal amount of $8.4 million (the "Initial Term Loan"). All proceeds of the Initial Term Loan were used to fund the cash portion of the purchase price for the Holzworth acquisition. Principal payments on the Initial Term Loan are $21,000 per quarter with a balloon payment at maturity which is February 7, 2025. The Term Loan Facility includes an upfront fee of 2.50% of the aggregate principal amount of the Initial Term Loan. In connection with the Term Loan Facility, the Company incurred costs of $1.0 million, including the aforementioned 2.5% upfront fee to Muzinich, which were recorded as a reduction of the carrying amount of the debt and are being amortized over the term of the loan.

On May 4, 2020, the Company entered into the First Amendment to the Term Loan Facility which, among other things, amended the definition of "Indebtedness" to include the PPP loan as long as the proceeds are used for allowable purposes under the CARES Act, the receipt of the loan does not violate the Credit Facility and the Company submits an application for forgiveness and substantially all of the loan is forgiven.

On February 25, 2021, the Company and its subsidiaries entered into the Second Amendment to the Credit Agreement and Limited Waiver ("Amendment 2") with Muzinich, in which Muzinich agreed to waive the Company's obligation to comply with the consolidated leverage ratio and fixed charge coverage ratio financial covenants in the Term Loan Facility for the fiscal quarter ending December 31, 2020. We were not in compliance with such covenants primarily as a result of the impact the COVID-19 pandemic had on our consolidated financial results. Amendment 2, among other things, amends the definition of consolidated EBITDA to include certain cash tax benefits related to our UK tax jurisdiction and reduced our consolidated leverage ratio for the twelve month periods ended September 30, 2021 from 3.00 to 2.75, December 31, 2021 from 2.75 to 2.25, March 31, 2022 from 2.50 to 2.00 and June 30, 2022 from 2.25 to 2.00. Additionally, the interest rate margin was increased from 7.25% to 9.25% effective January 1, 2021 and will step down to 8.50% and 7.25% upon the Company achieving consolidated EBITDA on a trailing twelve-month basis of $4.0 million and $6.3 million, respectively. Muzinich and the Company also agreed on an excess cash flow payment of $428,000 and Muzinich provided consent for the Company to change the deferred purchase price payments to and enter into notes with the Holzworth sellers in the amount of $750,000, as described below.

The Company may prepay the Initial Term Loan at any time. Prepayments made prior to (a) February 7, 2022 are subject to a prepayment premium in the amount of 2.0% of the prepaid principal amount and (b) February 7, 2023 are subject to a prepayment premium in the amount of 1.0% of the prepaid principal amount. The Company is required to make prepayments of the Initial Term Loan with the proceeds of certain asset dispositions, insurance recoveries and extraordinary receipts, subject to specified reinvestment rights. The Company is also required to make prepayments of the Initial Term Loan upon the issuance of certain indebtedness and to make an annual prepayment based upon the Company's excess cash flow. Mandatory prepayments with asset sale, insurance or condemnation proceeds and excess cash flow may be made without penalty. Mandatory prepayments with the proceeds of indebtedness are subject to the same prepayment penalties as are applicable to voluntary prepayments.

The Term Loan Facility provides for an additional $11.6 million term loan (the "Second Term Loan") to be used for a second unannounced acquisition opportunity (the "Additional Acquisition"). There can be no assurance that the Additional Acquisition will be completed. In the event the Additional Acquisition is completed, the Second Term Loan will be made available to the Company on the same terms and conditions as the Initial Term Loan, including interest rate, amortization schedule and financial covenants, subject to the payment of an additional upfront fee and satisfaction of customary conditions to funding.

The Term Loan Facility is secured by liens on substantially all of the Company's and its subsidiaries' assets including a pledge of the equity interests in the Company's subsidiaries. The Term Loan Facility contains customary affirmative and negative covenants for a transaction of this type, including, among others, the provision of annual, quarterly and monthly financial statements and compliance certificates, maintenance of property, insurance, compliance with laws and environmental matters, restrictions on incurrence of indebtedness, granting of liens, making investments and acquisitions, paying dividends, entering into affiliate transactions and asset sales. In addition, the Company must maintain certain financial covenants typical for this type of arrangement, including a consolidated leverage ratio, a consolidated fixed charge coverage ratio and minimum liquidity of its foreign subsidiaries. The consolidated leverage ratio, as described above, is defined as the ratio of total consolidated indebtedness, as defined, to consolidated EBITDA, as defined. Prior to Amendment 2, the required leverage ratio started at 4.75 to 1.0 for the twelve month periods ended March 31, 2020 and June 30, 2020, and decreased in various increments to 4.0 to 1.0 for the twelve months ended September 30, 2020, 3.75 to 1.0 for the twelve months ended December 31, 2020, 2.75 to 1.0 for the twelve months ended December 31, 2021 and 2.0 to 1.0 for the twelve months ended December 31, 2022 and thereafter. The consolidated fixed charge coverage ratio is the ratio of consolidated EBITDA, as defined, less consolidated capital expenditures and cash income taxes paid to consolidated fixed charges, as defined, calculated on a twelve-month basis. The consolidated fixed charge coverage ratio for the twelve month periods ended March 31, 2020, June 30, 2020 and September 30, 2020 must be 1.35 to 1 and increases in various increments on a quarterly basis to 1.5 to 1.0 for the twelve month period ended December 31, 2020 and 2021, and to 1.75 to 1.0 for the 12 months ending December 31, 2022 and thereafter. Lastly, the Company must maintain minimum liquidity, defined as cash and availability under the UK borrowing base, as defined, of $1.0 million over any trailing four-week period until such time as the foreign subsidiary has positive EBITDA, as defined, for three consecutive quarters and the Holzworth deferred purchase price has been paid in full. The Term Loan Facility also provides for a number of events of default, including, among others, nonpayment, bankruptcy, inaccuracy of representations and warranties, breach of covenant, change in control, entry of final judgement or order, breach of material contracts, and as long as the Company's consolidated leverage ratio is greater than 1.0 to 1.0 (as calculated in accordance with the terms of the Term Loan Facility), the cessation of service of any two of Tim Whelan, Michael Kandell or Daniel Monopoli as Chief Executive Officer, Chief Financial Officer or Chief Technology Officer, respectively, of the Borrower without a satisfactory replacement within 60 days. Any exercise of remedies by Muzinich is subject to compliance with the intercreditor agreement entered into at the closing of the Term Loan Facility among the Company, Muzinich and Bank of America, N.A., as lender under the Credit Facility referenced below.

The Company entered into a Credit Facility with Bank of America, N.A. (the "Lender") on February 16, 2017 (the "Credit Facility"), which provided for a term loan in the aggregate principal amount of $760,000 (the "Term Loan") and an asset based revolving loan (the "Revolver"), which is subject to a Borrowing Base Calculation (as defined in the Credit Facility) of up to a maximum availability of $9.0 million ("Revolver Commitment Amount"). The borrowing base is calculated as a percentage of eligible accounts receivable and inventory, as defined, subject to certain caps and limits. The borrowing base is calculated on a monthly basis and interest is calculated at LIBOR plus a margin. The proceeds of the Term Loan and Revolver were used to finance the acquisition of CommAgility in 2017.

In connection with the Holzworth acquisition, on February 7, 2020, the Company and certain of its subsidiaries (the "Borrowers"), and Bank of America, N.A. entered into Amendment No. 5 ("Amendment 5") to the Credit Facility. By entering into Amendment 5, Holzworth, together with CommAgility Limited, became borrowers under the Credit Facility. The obligations of the Borrowers under the Credit Facility are guaranteed by Wireless Telecom Group, Ltd. CommAgility Limited and Wireless Telecom Group, Ltd. are both wholly owned subsidiaries of the Company.

Amendment 5 (a) effected certain modifications to the Credit Facility to accommodate the Holzworth acquisition, the Company's incurrence of the Initial Term Loan and the granting of the related liens and security interests, (b) subject to the satisfaction of certain conditions precedent, made available to CommAgility an asset based revolving loan, subject to a borrowing base calculation applicable to CommAgility's assets, of up to a maximum availability of $5.0 million (the "UK Revolver Commitment"), (c) reduced the interest rate margin applicable to revolving loans made under the Credit Facility from a range of 2.75% to 3.25% to a range of 2.00% to 2.50%, based on the Borrowers' Fixed Charge Coverage Ratio (as defined in the Credit Facility) of the most recently completed fiscal quarter, (d) extended the Revolver Termination Date to March 31, 2023 and (e) conditioned the Borrowers' ability to make certain debt payments under the Term Loan Facility (described above) upon compliance with a liquidity test. In all other material respects, the Credit Facility remains unchanged.

Effectiveness of Amendment 5 was conditioned upon, among other things, the prepayment of the remaining principal balance ($304,000) of the $760,000 term loan made available under the Credit Facility and the payment of a closing fee in the amount of $25,000. The Borrowers satisfied all such conditions on February 7, 2020. In connection with the Amendment the Company incurred costs of $270,000 which are capitalized as other current and non-current assets in the Consolidated Balance Sheets and are being amortized over the term of the revolver.

On May 4, 2020, the Company, its subsidiaries and Bank of America entered into Amendment No. 6 which, among other things, amended the definition of "Debt" to include the PPP loan as long as the proceeds are used for allowable purposes under the CARES Act and the Company promptly submits an application for forgiveness and substantially all of the loan is forgiven.

On February 25, 2021, the Company, its subsidiaries and Bank of America entered into Amendment No. 7 which revised the Credit Facility to accommodate the changes to the deferred purchase price payments to and notes with the Holzworth sellers as described above and provided Bank of America's consent to the Company entering into the Muzinich Second Amendment, as described above.

As of December 31, 2020, the interest rate on the Term Loan Facility was 8.25% and the interest rate on the Revolver was 2.15%. The Company had zero drawn on the asset based revolver as of December 31, 2020.

On May 4, 2020, the Company received $2.0 million pursuant to a loan from Bank of America N.A. under the Paycheck Protection Program ("PPP") of the 2020 Coronavirus Aid, Relief and Economic Security Act (the "CARES Act") administered by the Small Business Association ("SBA"). The loan has an interest rate of 1% and a term of 24 months. A repayment schedule has not yet been provided by Bank of America. Accordingly, the full amount of the term loan has been shown as due in May 2022. Funds from the loan may only be used for certain purposes, including payroll, benefits, rent and utilities. The CARES Act and the PPP provide a mechanism for forgiveness of up to the full amount of the loan upon application to the SBA for forgiveness by the Company. The loan is evidenced by a promissory note, which contains customary events of default relating to, among other things, payment defaults and breaches of representations and warranties. The Company may prepay the loan at any time prior to maturity with no prepayment penalties. As of December 31, 2020, the Company has applied for forgiveness of the loan, however, has elected to account for the loan in accordance with Accounting Standard Codification 470 *Debt* until such time that forgiveness is approved by the SBA. The Company can provide no assurance that the loan will be forgiven in whole or in part.

Issuance of Stock Warrants

Pursuant to the Term Loan Facility, the Company issued a Warrant, dated February 7, 2020 (the "Warrant"), to Muzinich. Under the Warrant, Muzinich has the right to purchase 266,167 shares of common stock of the Company at an exercise price of $1.3923 per share (an aggregate value of approximately $370,588), based on a 90-day volume weighted average price for shares of stock of the Company (the "Warrant Stock"). The Warrant is exercisable for an indefinite period from the date of the Warrant and may be exercised on a cashless basis. The number of shares of common stock deliverable upon exercise of the Warrant is subject to adjustment for subdivision or consolidation of shares and other standard dilutive events. Additionally, the exercise price may be adjusted based on a formula in the event of a common stock offering by the Company at an offering price below fair market value, as defined, and below exercise price. In connection with the issuance of the Warrant, the Company granted Muzinich one demand registration right and piggyback registration rights with respect to the Warrant Stock, subject to certain exceptions.

If the Additional Acquisition (as defined in *Term Loan Facility* above) is consummated, the Company has agreed to issue to Muzinich at the closing of the Additional Acquisition an additional Warrant for the right to purchase 367,564 shares of common stock of the Company at an exercise price of $1.3923 per share (an aggregate value of approximately $511,765), based upon a 90-day volume weighted average price for shares of stock of the Company as of February 7, 2020 (the "Additional Warrant"). The Additional Warrant will contain the same terms and conditions as the Warrant, except that Muzinich will have only one demand registration right, subject to certain exceptions, with respect to shares of common stock of the Company issued under the Warrant and the Additional Warrant.

The stock warrants issued to Muzinich are classified as equity. The fair value of the warrants, as calculated using the Black Scholes model as of the issuance date, was approximately $150,000 and was recorded as a reduction to the carrying value of the debt. The significant inputs included in the Black Scholes calculation were a risk free rate of 1.41%, volatility of 48.7% and the stock price on date of grant of $1.34.

NOTE 4 - LEASES

The Company's lease agreements consist of building leases for its operating locations and office equipment leases for printers and copiers with lease terms that range from less than 12 months to 8 years. At inception, the Company determines if an arrangement contains a lease and whether that lease meets the classification criteria of a finance or operating lease. The Company's leases for office equipment such as printers and copiers contain lease and non-lease components (i.e. maintenance). The Company accounts for lease and non-lease components of office equipment as a single lease component.

All of the Company's leases are operating leases and are presented as right of use lease asset, short term lease liability and long term lease liability on the Consolidated Balance Sheets as of December 31, 2020 and 2019. These assets and liabilities are recognized at the commencement date based on the present value of remaining lease payments over the lease term using the Company's incremental borrowing rate. Short-term leases, which have an initial term of 12 months or less, are not recorded on the balance sheet.

Lease expense is recognized on a straight-line basis over the lease term and is included in cost of revenues and general and administrative expenses on the Consolidated Statement of Operations and Comprehensive Income/(Loss).

An initial right-of-use asset of $1.9 million was recognized as a non-cash asset addition with the adoption of the new lease accounting standard on January 1, 2019. With our acquisition of Holzworth on February 7, 2020, we acquired a right-of-use asset of $789,000. There have been no other right-of-use assets recognized since the date of adoption of the new lease standard. Cash paid for amounts included in the present value of operating lease liabilities was $648,000 and $508,000 during the twelve months ended December 31, 2020 and 2019, respectively, and is included in operating cash flows.

Operating lease costs were $1.0 million and $892,000 during the twelve months ended December 31, 2020 and 2019, respectively.

The following table presents information about the amount and timing of cash flows arising from the Company's operating leases as of December 31, 2020.

(in thousands)	December 31, 2020
Maturity of Lease Liabilities	
2021	$ 619
2022	637
2023	276
2024	158
2025	163
Thereafter	69
Total undiscounted operating lease payments	1,922
Less: imputed interest	(188)
Present Value of operating lease liabilities	$ 1,734
Balance sheet classification	
Current lease liabilities	$ 534
Long-term lease liabilities	1,200
Total operating lease liabilities	$ 1,734
Other information	
Weighted-average remaining lease term (months)	44
Weighted-average discount rate for operating leases	5.88%

NOTE 5 – REVENUE

Revenue is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for promised goods or services. The Company's performance obligations are satisfied either over time or at a point in time. Revenue from performance obligations that transferred at a point in time accounted for approximately 99% of the Company's total revenue for the twelve months ended December 31, 2020 and 2019.

Nature of Products and Services

Hardware

The Company generally has one performance obligation in its arrangements involving the sales of radio frequency solutions, digital signal processing hardware, power meters, analyzers, noise/signal generators, phase noise analyzers and other components. When the terms of a contract include the transfer of multiple products, each distinct product is identified as a separate performance obligation. Generally, satisfaction occurs when control of the promised goods is transferred to the customer in exchange for consideration in an amount for which we expect to be entitled. Generally, control is transferred when legal title of the asset moves from the Company to the customer. We sell our products to a customer based on a purchase order, and the shipping terms per each individual order are primarily used to satisfy the single performance obligation. However, in order to determine control has transferred to the customer, the Company also considers:

- when the Company has a present right to payment for the asset
- when the Company has transferred physical possession of the asset to the customer
- when the customer has the significant risks and rewards of ownership of the asset
- when the customer has accepted the asset

Software

Arrangements involving licenses of software in the CommAgility brand may involve multiple performance obligations, most notably subsequent releases of the software. The Company has concluded that each software release in a multiple deliverable arrangement involving CommAgility software licenses is a distinct performance obligation and, accordingly, transaction price is allocated to each release when the customer obtains control of the software.

Performance obligations that are not distinct at contract inception are combined. Specifically, with the Company's sales of software, contracts that include customization may result in the combination of the customization services with the license as one distinct performance obligation and recognized over time. The duration of these performance obligations are typically one year or less.

Services

Arrangements involving calibration and repair services of the Company's products are generally considered a single performance obligation and are recognized as the services are rendered.

Shipping and Handling

Shipping and handling activities performed after the customer obtains control are accounted for as fulfillment activities and recognized as cost of revenues.

Significant Judgments

For the Company's more complex software and services arrangements significant judgment is required in determining whether licenses and services are distinct performance obligations that should be accounted for separately, or, are not distinct and thus accounted for together. Further, in cases where we determine that performance obligations should be accounted for separately, judgment is required to determine the standalone selling price for each distinct performance obligation.

Certain of the Company shipments include a limited return right. In accordance with Topic 606 the Company recognizes revenue net of expected returns.

Contract Balances

The timing of revenue recognition may differ from the timing of invoicing to customers and these timing differences result in contract assets (unbilled revenue) or contract liabilities (deferred revenue) on the Company's Consolidated Balance Sheet. The Company records a contract asset when revenue is recognized prior to invoicing, or deferred revenue when revenue is recognized subsequent to invoicing. Unbilled revenue is $260,000 and $147,000 as of December 31, 2020 and 2019, respectively, and recorded in prepaid expenses and other current assets. Deferred revenue is $924,000 and $42,000 as of December 31, 2020 and 2019, respectively. The increase in deferred revenue from the prior year is primarily due to billings in advance of revenue recognition for certain CommAgility projects involving multiple performance obligations.

Disaggregated Revenue

We disaggregate our revenue from contracts with customers by product family and geographic location as we believe it best depicts how the nature, timing and uncertainty of our revenue and cash flows are affected by economic factors. See details in the tables below (in thousands).

	Twelve Months Ended December 31, 2020	Twelve Months Ended December 31, 2019
Total net revenues by revenue type		
Passive and active RF solutions	$ 17,633	$ 21,830
Noise generators and components	13,356	6,198
Power meters and analyzers	5,737	6,109
Signal processing hardware	1,672	13,013
Software licenses	1,284	14
Services	2,066	1,757
Total net revenue	**$ 41,748**	**$ 48,921**
Total net revenues by geographic areas		
Americas	$ 31,329	$ 30,161
EMEA	6,329	16,500
APAC	4,090	2,260
Total net revenue	**$ 41,748**	**$ 48,921**

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

The majority of shipments in the Americas are to customers located within the United States. For the years ended December 31, 2020 and 2019, sales in the United States amounted to $30.6 million and $30.0 million, respectively.

For the year ended December 31, 2020 shipments to the EMEA region were largely concentrated in the UK, Russia and France. Shipments to the UK, Russia and France in 2020 amounted to $1.7 million, $897,000 and $859,000, respectively. For the year ended December 31, 2019 shipments to the EMEA region were largely concentrated in the UK, Germany and Italy. Shipments to the UK, Germany and Italy in 2019 amounted $12.7 million, $737,000 and $506,000, respectively.

The largest concentration of shipments in the APAC region is to China. For the years ended December 31, 2020 and 2019, shipments to China amounted to $2.0 million and $1.3 million, of all shipments to the APAC region, respectively. There were no other shipments significantly concentrated in one country in the APAC region.

NOTE 6 - GOODWILL AND INTANGIBLE ASSETS

Goodwill consists of the following (in thousands):

	Holzworth	Microlab	CommAgility	Total
Balance as of January 1, 2019	$ -	$ 1,351	$ 8,427	$ 9,778
Foreign currency translation	-	-	291	291
Balance as of December 31, 2019	-	1,351	8,718	10,069
Holzworth acquisition	6,000	-	-	6,000
Goodwill impairment	-	-	(4,742)	(4,742)
Foreign currency translation	-	-	185	185
Balance as of December 31, 2020	$ 6,000	$ 1,351	$ 4,161	$ 11,512

Intangible assets consist of the following (in thousands):

	December 31, 2020			
	Gross Carrying Amount	Accumulated Amortization	Foreign Exchange Translation	Net Carrying Amount
Customer relationships	$ 5,075	$ (2,564)	$ 121	$ 2,632
Patents	615	(491)	26	150
Proprietary technology	1,550	(142)	-	1,408
Non-compete agreements	1,107	(1,150)	43	-
Holzworth tradename	400	(31)	-	369
CommAgility tradename	629	-	54	683
Total	$ 9,376	$ (4,378)	$ 244	$ 5,242

	December 31, 2019			
	Gross Carrying Amount	Accumulated Amortization	Foreign Exchange Translation	Net Carrying Amount
Customer relationships	$ 2,766	$ (1,644)	$ 113	$ 1,235
Patents	615	(365)	25	275
Non-compete agreements	1,107	(1,101)	43	49
CommAgility tradename	629	-	31	660
Total	$ 5,117	$ (3,110)	$ 212	$ 2,219

Amortization of acquired intangible assets was $1.3 million and $1.1 million for the twelve months ended December 31, 2020 and 2019, respectively. Amortization of proprietary technology is included in costs of revenues in the Consolidated Statements of Operations and Comprehensive Income/(Loss). Amortization of all other acquired intangible assets is included in general and administrative expenses.

The estimated future amortization expense related to intangible assets is as follows as of December 31, 2020 (in thousands):

2021	$ 1,307
2022	665
2023	573
2024	573
2025	573
Thereafter	868
Total	$ 4,559

NOTE 7 - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, consist of the following as of December 31 (in thousands):

	2020	2019
Machinery & computer equipment/software	$ 9,085	$ 8,662
Furniture & fixtures	483	461
Leasehold improvements	1,358	1,331
Gross property, plant and equipment	10,926	10,454
Less: Accumulated depreciation	9,102	8,307
Net property, plant and equipment	$ 1,824	$ 2,147

Depreciation expense of $1.1 million and $841,000 was recorded for the years ended December 31, 2020 and 2019, respectively.

NOTE 8 - OTHER ASSETS

Other assets consist of the following as of December 31 (in thousands):

	2020	2019
Product demo assets	$ 187	$ 128
Debt issuance costs - Revolver	127	91
Deferred costs	82	82
Income tax receivable	65	230
Security deposit	63	50
Deferred S3 costs	-	255
Other	37	38
Total	$ 561	$ 874

Product demo assets are net of accumulated amortization expense of $397,000 and $317,000 as of December 31, 2020 and 2019, respectively. Amortization expense related to demo assets was $84,000 and $249,000 in 2020 and 2019, respectively.

NOTE 9 - ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consist of the following as of December 31 (in thousands):

	2020	2019
Holzworth earnout	$ 3,423	$ -
Holzworth deferred purchase price	950	-
Payroll and related benefits	864	308
Commissions	605	430
Goods received not invoiced	458	346
Professional fees	331	464
Sales and use and VAT tax	315	355
Return reserve	212	199
Warranty reserve	140	160
Bonus	123	126
Harris arbitration liability	116	49
Severance	-	102
Other	460	118
Total	$ 7,997	$ 2,657

NOTE 10 - ACCOUNTING FOR STOCK BASED COMPENSATION

The Company follows the provisions of ASC 718. The Company's results for the years ended December 31, 2020 and December 31, 2019 include stock based compensation expense totaling $474,000 and $584,000, respectively. Such amounts have been included in the Consolidated Statement of Operations and Comprehensive Income/(Loss) within operating expenses.

Incentive Compensation Plan

In 2012, the Company's Board of Directors and shareholders approved the 2012 Incentive Compensation Plan (the "Initial 2012 Plan"), which provides for the grant of equity, including restricted stock awards, restricted stock units, non-qualified stock options and incentive stock options in compliance with the Internal Revenue Code of 1986, as amended, to employees, officers, directors, consultants and advisors of the Company who are expected to contribute to the Company's future growth and success. When originally approved, the Initial 2012 Plan provided for the grant of awards relating to 2 million shares of common stock, plus those shares subject to awards previously issued under the Company's 2000 Stock Option Plan that expire, are canceled or are terminated after adoption of the Initial 2012 Plan without having been exercised in full and would have been available for subsequent grants under the 2000 Stock Option Plan. In June 2014, the Company's shareholders approved the Amended and Restated 2012 Incentive Compensation Plan (the "2012 Plan") allowing for an additional 1.6 million shares of the Company's common stock to be available for future grants under the 2012 Plan. The 2012 Plan provides that if awards are forfeited, expire or otherwise terminate without issuance of the shares underlying the awards, or if the award does not result in issuance of all or part of the shares underlying the award, the unissued shares are again available for awards under the 2012 Plan. As a result of certain award forfeitures and cancellations, as of December 31, 2020, there are approximately 227,000 shares available for issuance under the 2012 Plan.

All service-based (time vesting) options granted have ten-year terms from the date of grant and typically vest annually and become fully exercisable after a maximum of five years. However, vesting conditions are determined on a grant by grant basis. Performance-based options granted have ten-year terms and vest and become fully exercisable when determinable performance targets are achieved. Performance targets are approved by the Company's compensation committee of the Board of Directors.

Under the 2012 Plan, options may be granted to purchase shares of the Company's common stock exercisable only at prices equal to or above the fair market value on the date of the grant.

The following summarizes the components of stock-based compensation expense for the years ending December 31 (in thousands):

	2020	2019
Service based restricted stock awards	$ 117	$ 278
Service based restricted stock units	205	245
Performance based stock options	99	(90)
Service based stock options	53	151
	$ 474	$ 584

As of December 31, 2020, $423,000 of unrecognized compensation costs related to unvested stock options is expected to be recognized over a remaining weighted average period of 4.9 years, $93,000 of unrecognized compensation costs related to unvested restricted shares is expected to be recognized over a remaining weighted average period of 2.3 years and $81,000 of unrecognized compensation costs related to unvested restricted stock units is expected to be recognized over 6 months.

During the twelve months ended December 31, 2020 the Company reversed $6,000 and $16,000 in share based compensation expense related to 6,250 unvested stock options and 16,667 unvested restricted shares, respectively, which were forfeited as a result of an employee exiting the company.

During the twelve months ended December 31, 2019 the Company reversed $121,000 in share based compensation expense related to 240,000 unvested stock options that were forfeited as a result of employees exiting the company.

Restricted Common Stock Awards

A summary of the status of the Company's non-vested restricted common stock, as granted under the Company's approved equity compensation plans, as of December 31, 2020 and 2019, and changes during the twelve months ended December 31, 2020 and 2019, are presented below:

	2020		2019	
Non-vested Restricted Shares	**Number of Shares**	**Weighted Average Grant Date Fair Value**	**Number of Shares**	**Weighted Average Grant Date Fair Value**
Non-vested as of January 1	262,540	$1.63	232,123	$1.68
Granted	50,000	$1.20	95,000	$1.56
Vested and issued	(95,203)	$1.66	(64,583)	$1.70
Forfeited	(16,667)	$1.56	-	-
Non-vested as of December 31	200,670	$1.52	262,540	$1.63

On August 4, 2020 the Company granted 50,000 restricted share awards to our Chief Revenue Officer under the 2012 plan. The fair market value of the award is $1.20 per granted share and the award vests in four equal installments of 12,500 shares on August 1 of 2021, 2022, 2023 and 2024, respectively.

The following table summarizes the restricted common stock awards granted during the years ended December 31, 2020 and 2019 under the 2012 Plan:

	Number of Shares	Fair Market Value per Granted Share	Vesting
2020			
8/4/20 – Service grant - Employee	50,000	$1.20	Annual vesting through August 2024
2019			
1/11/19 - Service grant - Employees	95,000	$1.56	Annual vesting through January 2022

Restricted Stock Units:

In fiscal 2020 and fiscal 2019 the Company granted Restricted Stock Units ("RSU") to each of our board members. Each RSU represents the Company's obligation to issue one share of the Company's common stock subject to the RSU award agreement and 2012 Plan. The RSUs vest on the day before the first anniversary of the grant date or, if earlier, the effective date of a separation of service due to death or disability, provided the board member has rendered continuous service to the Company as a member of the board of directors from grant date to vesting date. Once vested, the RSU will be settled by delivery of shares to the board member no later than 30 days following: 1) the third anniversary of the grant date, 2) separation from service following, or coincident with, a vesting date, or 3) a change in control.

A summary of the status of the Company's non-vested restricted stock units, as granted under the Company's approved equity compensation plans, as of December 31, 2020 and 2019, and changes during the twelve months ended December 31, 2020 and 2019, are presented below:

	2020		2019	
Non-vested Restricted Stock Units	Number of Shares	Weighted Average Grant Date Fair Value	Number of Shares	Weighted Average Grant Date Fair Value
Non-vested as of January 1	147,917	$1.56	125,000	$2.25
Granted	161,507	$1.21	147,917	$1.56
Vested and issued	(147,917)	$1.56	(125,000)	$2.25
Forfeited	-	-	-	-
Non-vested as of December 31	161,507	$1.21	147,917	$1.56

	Number of Shares	Fair Market Value per Granted Share	Vesting
2020			
6/4/2020 - Service grant – Board of Directors	150,000	$1.18	Annual board meeting – June 2021
12/28/2020 – Service grant – Board of Directors	11,507	$1.66	Annual board meeting – June 2021
2019			
5/30/2019 - Service grant – Board of Directors	125,000	$1.55	Annual board meeting – June 2020
7/8/2019 – Service grant – Board of Directors	22,917	$1.58	Annual board meeting – June 2020

Performance-Based Stock Option Awards

On August 4, 2020 the Company granted 150,000 performance-based stock options to our Chief Revenue Officer under the 2012 Plan.

On April 7, 2020 the Company granted 970,000 performance-based stock options to various employees under the 2012 Plan.

The performance options granted on both August 4 and April 7, 2020 vest when the Company achieves consolidated revenue targets as outlined in the schedule below:

Consolidated annualized gross revenues $55.0 million – 25% vesting

Consolidated annualized gross revenues $61.5 million – 50% vesting

Consolidated annualized gross revenues $69.0 million – 75% vesting

Consolidated annualized gross revenues $77.5 million – 100% vesting

Consolidated annualized gross revenues include revenue from Holzworth from acquisition date (February 7, 2020) forward, but do not include any additional acquisitions from February 7, 2020 forward. Consolidated annualized gross revenues is calculated on a calendar year basis (i.e. twelve months ended December 31).

In accordance with ASC 718*,* compensation expense is recognized over the period from the date the performance conditions are determined to be probable of occurring through the implicit service period, which is the date the applicable conditions are expected to be met. If the performance conditions are not considered probable of being achieved, no expense is recognized until such time as the performance conditions are considered probable of being met, if ever. If the award is forfeited because the performance condition is not satisfied, previously recognized compensation cost is reversed. Management evaluates performance conditions on a quarterly basis. The estimated implicit service period is April 2020 thru December 2025 for the April performance-based options and August 2020 thru December 2025 for the August performance-based options.

A summary of performance-based stock option activity, and related information for the years ended December 31, 2020 and December 31, 2019 follows:

	2020		2019	
	Options	**Weighted Average Exercise Price**	**Options**	**Weighted Average Exercise Price**
Outstanding as of January 1	105,000	$1.61	305,000	$1.45
Granted	1,120,000	$1.50	-	-
Exercised	(20,000)	$0.78	-	-
Forfeited	-	-	(200,000)	$1.36
Expired	-	-	-	-
Outstanding as of December 31	1,205,000	$1.52	105,000	$1.61
Exercisable at December 31	-	-	20,000	$0.78

As of December 31, 2020, none of the performance-based stock options outstanding were exercisable as the performance metrics were not met. The aggregate intrinsic value of performance-based stock options outstanding that were "in the money" (exercise price was lower than market price) as of December 31, 2020 was $325,000 and the weighted average remaining life was 7.7 years.

The aggregate intrinsic value of performance-based stock options outstanding that were "in the money" (exercise price was lower than the market price) as of December 31, 2019 was $13,000 and the weighted average remaining contractual life was 1.0 years. As of December 31, 2019, 20,000 performance-based stock options were exercisable.

The range of exercise prices of outstanding performance-based options at December 31, 2020 is $1.20 to $1.83 with a weighted average exercise price of $1.52 per share.

Service-Based Stock Option Awards

A summary of service-based stock option activity and related information for the years ended December 31, 2020 and 2019 follows:

	2020		2019	
	Options	**Weighted Average Exercise Price**	**Options**	**Weighted Average Exercise Price**
Outstanding as of January 1	1,950,000	$1.52	1,975,000	$1.52
Granted	-	-	15,000	$1.56
Exercised	-	-	-	-
Forfeited	(6,250)	$1.66	(40,000)	$1.52
Expired	(18,750)	$1.66	-	-
Outstanding as of December 31	1,925,000	$1.52	1,950,000	$1.52
Exercisable at December 31	1,736,250	$1.51	1,515,000	$1.50

The aggregate intrinsic value of service-based stock options outstanding that were "in the money" (exercise price was lower than the market price) as of December 31, 2020 was $455,000 and the weighted average remaining contractual life was 6 years. The aggregate intrinsic value of exercisable "in the money" service-based stock options as of December 31, 2020 was $415,000 and the weighted average remaining contractual life was 6 years.

The aggregate intrinsic value of service-based stock options outstanding that were "in the money" (exercise price was lower than the market price) as of December 31, 2019 was $77,600 and the weighted average remaining contractual life was 2.6 years. The aggregate intrinsic value of exercisable "in the money" service-based stock options as of December 31, 2019 was $72,225 and the weighted average remaining contractual life was 3.0 years.

The range of exercise prices of outstanding service-based options at December 31, 2020 is $1.30 to $1.92 with a weighted average exercise price of $1.52 per share.

The following table presents the assumptions used to estimate the fair value of stock option awards granted during the twelve months ended December 31, 2020 and 2019:

	Number of Options	Option Term (in years)	Exercise Price	Risk Free Interest Rate	Expected Volatility	Fair Value at Grant Date	Expected Dividend Yield
2020							
4/7/2020 – Performance grant - Employees	970,000	10	$1.50	0.48%	50.85%	$0.86	$0.00
8/4/2020 – Performance grant - Employees	150,000	10	$1.20	0.19%	52.06%	$1.20	$0.00
2019							
1/11/2019 – Service Grant - Employees	15,000	3	$1.56	2.52%	49.80%	$0.56	$0.00

NOTE 11 - SEGMENT AND RELATED INFORMATION

In June 2020, as a result of certain internal reorganizations completed over the prior six to nine months, the Company concluded it now operates as one reportable segment in accordance with ASC 280 Segment Reporting. Prior to June 2020 the Company operated as three reportable segments. In June 2020 we determined that the Chief Operating Decision Maker ("CODM") as defined in ASC 280 evaluates operating results and makes decisions on how to allocate resources at the consolidated level. Although the CODM reviews key performance indicators including bookings, shipments and gross profit at a product group level, this information by itself is not sufficient enough to make operating decisions. Rather, operating decisions are made based on review of consolidated profitability metrics rather than the individual results of each product group.

NOTE 12 - RETIREMENT PLAN

The Company has a 401(k) profit sharing plan covering all eligible U.S. employees. Company contributions to the plan for the years ended December 31, 2020 and 2019 amounted to $44,000 and $286,000, respectively.

NOTE 13 - INCOME TAXES

The components of income tax (benefit)/expense related to net income/(loss) from operations are as follows (in thousands):

	Years Ended December 31, 2020	Years Ended December 31, 2019
Current:		
Federal	$ -	$ (9)
State	73	45
Foreign	(1,060)	(859)
Deferred:		
Federal	182	(188)
State	129	(233)
Foreign	(133)	(128)
Total	$ (809)	$ (1,372)

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

	Years Ended December 31, 2020 % of Pre Tax Earnings	Years Ended December 31, 2019 % of Pre Tax Earnings
Statutory federal income tax rate	(21.0) %	(21.0) %
State income tax net of federal tax benefit	(6.6)	0.1
Foreign rate difference	7.7	7.2
Change in valuation allowance	9.4	(10.6)
Permanent differences	8.5	0.9
Research and development incentive	(8.1)	(53.1)
Global intangible low-taxed income	-	1.3
Other	1.1	(1.6)
Total	(9.0) %	(76.8) %

In 2020, the difference between the statutory and effective tax rate is due primarily to permanent differences between U.S. GAAP book income and taxable income including the goodwill impairment charge for the CommAgility reporting unit and the loss on contingent consideration related to the Holzworth earnout. Additionally, in 2020 the difference between the statutory and effective tax rate was due to an increase in the state net operating loss valuation allowance and research and development deductions in the United Kingdom. In 2019, the difference between the statutory and effective tax rate is due primarily to research and development deductions in the United Kingdom and a reduction in the state net operating loss valuation allowance.

The components of deferred income taxes are as follows (in thousands):

	Years Ended December 31, 2020	Years Ended December 31, 2019
Deferred tax assets:		
Net operating loss carryforwards	$ 11,888	$ 11,538
Inventory	509	397
Research and development credit	648	648
Stock compensation	335	285
Other	280	326
Gross deferred tax asset	13,660	13,194
Less valuation allowance	(7,668)	(6,652)
Total deferred tax asset	$ 5,992	$ 6,542
Deferred tax liabilities:		
Goodwill and intangible assets	(368)	(757)
Fixed assets	(300)	(275)
Total deferred tax liability	$ (668)	$ (1,032)
Net deferred tax asset	$ 5,324	$ 5,510

The Company has domestic federal and state net operating loss carryforwards as of December 31, 2020 of approximately $16.3 million and $42.4 million, respectively, which begin to expire in 2029. $600,000 of the federal net operating loss carryforward and $1.6 million of state net operating loss carryforward has no expiration. The Company also has foreign net operating loss carryforwards at December 31, 2020 of approximately $15.7 million for German trade tax purposes, which has no expiration.

Realization of the Company's deferred tax assets is dependent upon the Company generating sufficient taxable income in the appropriate tax jurisdictions in future years to obtain benefit from the reversal of net deductible temporary differences and from utilization of net operating losses. The Company's valuation allowances of $7.7 million and $6.7 million at December 31, 2020 and 2019, respectively, are associated with the Company's foreign net operating loss carryforward from an inactive foreign entity, state net operating loss carryforward and a state research and development credit. The amount of deferred tax assets considered realizable is subject to adjustment in future periods if estimates of future taxable income are changed. As of December 31, 2020, management believes that it is more likely than not that the Company will fully realize the benefits of its deferred tax assets associated with its domestic federal net operating loss carryforward.

The Company does not have any significant unrecognized tax positions and does not anticipate a significant increase or decrease in unrecognized tax positions within the next twelve months.

The Company has elected to record taxes related to the global intangible low-taxed income as a period cost.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Warranties

The Company typically provides one to three year warranties on all of its products covering both parts and labor. The Company, at its option, repairs or replaces products that are defective during the warranty period if the proper preventive maintenance procedures have been followed by its customers.

Legal Proceeding

As previously disclosed, on June 5, 2019, L3Harris Corporation ("Harris") filed a request for arbitration before the American Arbitration Association in accordance with the terms of an executed purchase order, statement of work and software license agreement (collectively referred to as "Agreements") with CommAgility entered into in 2014. Harris claimed that CommAgility breached the Agreements by offering for sale, marketing, and promoting techniques, capabilities, products and services that incorporate Work Product, as defined in the Agreements, owned by Harris. In its arbitration demand, Harris claimed that CommAgility caused Harris significant monetary damages, the sum of which could not be determined until such time as discovery has been conducted but was estimated by Harris to be less than $250,000. Harris did not include a request for monetary damages in its Statement of Claim, which was filed with the arbitration panel on May 22, 2020. On December 10, 2020, Harris released CommAgility from any and all claims that Harris may have had against CommAgility related to the Agreements before arbitration proceedings began. In 2020, the Company incurred approximately $50,000 in legal expense related to this matter. The remainder of legal expenses incurred in 2019 and 2020 related to this matter were covered under our professional indemnity insurance policy.

Risks and Uncertainties

The Company has been and continues to be unable to accurately predict the full impact that the COVID-19 Pandemic will have on our results of operations, financial condition, liquidity and cash flows due to numerous uncertainties, including the duration and severity of the pandemic and containment measures, the nature and length of actions taken by governments, businesses and individuals to contain or mitigate its impact, the severity and duration of the economic impact caused by the pandemic, the uncertainty surrounding possible treatments and rollout of vaccines, along with the effectiveness of our response. Our compliance with containment and mitigation measures has impacted our day-to-day operations and is expected to continue to disrupt our business and operations, as well as that of our key customers, suppliers (including contract manufacturers) and other counterparties, at least through the third quarter of 2021.

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.

The Company's deferred tax asset is recorded at tax rates expected to be in existence when those assets are utilized. Should the tax rates change materially in the future the amount of deferred tax asset could be materially impacted.

NOTE 15 – SUBSEQUENT EVENTS

Second Amendment to Holzworth Share Purchase Agreement

On February 19, 2021, the Company entered into the Second Amendment with Holzworth and Sellers. The Second Amendment, among other things, converted the second deferred purchase price of $750,000 into unsecured seller notes with interest at an annual rate of 6.5% starting from April 1, 2021 until final payment. The payment date has been changed from March 31, 2021 to three equal installments of $250,000, plus accrued interest, due on July 1, 2021, October 1, 2021 and January 1, 2022.

Additionally, the parties amended the payment dates of the earnout consideration. The payment date of the first earnout payment based on the financial results of the calendar year ended 2020 ("Year 1 Earnout") has been amended from March 31, 2021 to (i) six (6) equal quarterly installments of 10% of the Year 1 Earnout payable on the last business day of each calendar quarter between June 30, 2021 and September 30, 2022 and (ii) one (1) installment payment equal to 40% of the Year 1 Earnout on December 31, 2022. The Year 1 Earnout is payable in cash or shares of the Company's common stock based on the 90 trading day volume weighted average price immediately preceding final determination of the Year 1 Earnout or $2.19 per share. The estimated payment for the Year 1 Earnout is $3.4 million which is recorded in accrued expenses and other current liabilities in the Consolidated Balance Sheet as of December 31, 2020.

The parties also amended the provisions with respect to restrictions on transfer to adjust for the change in timing of earnout payments, as described above. Finally, the parties added a requirement that any earned but unpaid earnout consideration will be accelerated in the event the Company desires to enter into a material asset or equity acquisition in the future.

Second Amendment to Muzinich Credit Agreement and Limited Waiver

On February 25, 2021, the Company, its subsidiaries and Muzinich entered into Amendment 2, in which Muzinich agreed to waive the Company's obligation to comply with the consolidated leverage ratio and fixed charge coverage ratio financial covenants in the Term Loan Facility for the fiscal quarter ending December 31, 2020. We were not in compliance with such covenants primarily as a result of the impact the COVID-19 pandemic had on our consolidated financial results. Amendment 2, among other things, amended the definition of consolidated EBITDA to include certain cash tax benefits related to our UK tax jurisdiction and reduced our consolidated leverage ratio for the twelve month periods ended September 30, 2021 from 3.00 to 2.75, December 31, 2021 from 2.75 to 2.25, March 31, 2022 from 2.50 to 2.00 and June 30, 2022 from 2.25 to 2.00. Additionally, the interest rate margin was increased from 7.25% to 9.25% effective January 1, 2021 and will step down to 8.50% and 7.25% upon the Company achieving consolidated EBITDA on a trailing twelve-month basis of $4.0 million and $6.3 million, respectively. Muzinich and the Company also agreed on an excess cash flow payment of $428,000 and Muzinich provided consent for the Company to enter into the aforementioned notes with the Holzworth Sellers in the amount of $750,000, as described above.

Amendment No. 7 to the Loan and Security Agreement with Bank of America, N.A.

On February 25, 2021, the Company, its subsidiaries and Bank of America entered into Amendment No. 7 which revised the Credit Facility to accommodate the changes to the deferred purchase price payments to and notes with the Holzworth sellers as described above and provided Bank of America's consent to the Company entering into the Muzinich Second Amendment, as described above.

NOTE 16 - SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

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

2020	**Quarter**			
	1st	**2nd**	**3rd**	**4th**
Net revenues	$ 9,429	$ 11,108	$ 10,868	$ 10,343
Gross profit	4,428	5,668	5,654	5,218
Operating income/(loss)	(1,354)	(59)	(348)	(6,336)
Net income/(loss)	(1,147)	(668)	(775)	(5,498)
Diluted earnings/(loss) per share	$ (0.05)	$ (0.03)	$ (0.04)	$ (0.25)

2019	**Quarter**			
	1st	**2nd**	**3rd**	**4th**
Net revenues	$ 13,032	$ 13,508	$ 10,812	$ 11,569
Gross profit	5,727	6,133	4,825	5,604
Operating income/(loss)	(398)	146	(677)	(550)
Net income/(loss)	(345)	157	(460)	235
Diluted earnings/(loss) per share	$ (0.02)	$ 0.01	$ (0.02)	$ 0.01

NOTE: The quarterly amounts above may not add to the full year Consolidated Statements of Operations and Comprehensive Income/(Loss) due to rounding

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

None.

Item 9A. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

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

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

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed under the supervision of the Company's principal executive officer and principal financial officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external purposes in accordance with U.S. GAAP. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurances with respect to financial statement preparation and presentation. Additionally, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As of December 31, 2020, management assessed the effectiveness of the Company's internal control over financial reporting based on the criteria for effective internal control over financial reporting established in "Internal Control — Integrated Framework," issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Based on the assessment, management determined that the Company maintained effective internal control over financial reporting as of December 31, 2020.

This annual report does not include an attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's independent registered public accounting firm pursuant to the Dodd-Frank Wall Street and Consumer Protection Act, which exempts non-accelerated filers and smaller reporting companies from the auditor attestation requirement of Section 404 (b) of the Sarbanes-Oxley Act.

(c) Changes in Internal Controls over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during the last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

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Corporate Profile

Directors

Alan L. Bazaar
Chief Executive Officer of Hollow Brook Wealth Management LLC, *Independent Investment Advisory Firm*
Jennifer Fritzsche
Managing Director, Greenhill & Co.
Investment Bank
C. Scott Gibson
President of Gibson Enterprises
Professional Board Member for public and nonprofit entities
Mitchell Herbets
Managing Principal, Herbets Consulting LLC,
Consulting Company
Chairman of Thales Defense and Security, Inc.
Michael H. Millegan
Former President, Verizon Global Wholesale
Allan D. L. Weinstein
Managing Partner, Gainline Capital Partners LP,
Private Equity Firm
Timothy Whelan
Wireless Telecom Group, Chief Executive Officer

Officers

Timothy Whelan
Chief Executive Officer
Michael Kandell
Chief Financial Officer and Corporate Secretary
Daniel Monopoli
Chief Technology Officer
Alfred Rodriguez
Chief Revenue Officer

Transfer Agent and Registrar

American Stock Transfer & Trust Company

Independent Accountants

PKF O'Connor Davies, LLP

Legal Counsel

Bryan Cave Leighton Paisner LLP, New York, NY

Exchange Listing

NYSE-American Symbol: WTT

Annual Meeting

The Annual Meeting of the Stockholders will be held at 8:00 a.m. on Thursday, June 3, 2021 via live webcast at: www.virtualshareholdermeeting.com/WTT2021

A copy of the Annual Report on Form 10-K as filed with the Securities and Exchange Commission may be obtained without charge by written request addressed to:

Michael Kandell
Chief Financial Officer and Corporate Secretary
Wireless Telecom Group, Inc.
25 Eastmans Road
Parsippany, NJ 07054
USA

Certifications

The Company has filed as exhibits to its Annual Report on Form 10-K for the fiscal year ended December 31, 2020, the Chief Executive Officer and Chief Financial Officer certifications required by Section 302 of the Sarbanes-Oxley Act of 2002. The Company has also filed with the New York Stock Exchange the required annual Chief Executive Officer certification as required by the New York Stock Exchange Listed Company Manual.

We have included in the message from the CEO "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Exchange Act relating to our operations, results of operations and other matters that are based on our current expectations, estimates, assumptions and projections. Actual outcomes and results may differ materially from what is expressed or forecast in these forward-looking statements because of risks and uncertainties, including those discussed in Item 1A, "Risk Factors" in our Annual Report on Form 10-K and in other documents we file with the SEC. Our forward-looking statements speak only as of the date they are made.

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