2021 ANNUAL REPORT

Message from the CEO

To our Shareholders,

During the year, Wireless Telecom Group continued pursuing initiatives aimed at transforming our business with a focus on driving sustainable value and growth. In 2021, we delivered 18% revenue growth and gross profit of 50.9%, our fourth year of gross margin improvements, reflecting our strategy of identifying higher value-added solutions and additional software and services revenue through organic initiatives and acquisitions. Our success repositioning the Company for greater growth opportunities and increased profitability is driven by our employees' incredible, determined performance despite the uncertainty of the pandemic, supply chain disruption and impact of higher inflation.

During 2021, we realized strong demand for our specialized solutions which underscores our mission to enable the development, testing, and deployment of wireless communication and connectivity. We also launched new products, increasing our addressable markets, and we invested in demand generation initiatives which resulted in a year of increased revenues, increased bookings and a backlog which increased 30% at year-end as compared to the start of the year, positioning us for growth ahead.

We remain focused on positioning the Company to benefit from long-term growth trends supported by secular investments in 5G private networks, satellite applications and semiconductor test expansion. We are also focused on evaluating every opportunity for driving shareholder value.

Investments in our Future

New products, new markets, addressable market expansion

In 2021 we launched five major releases of new products that target new markets and aim to increase our total addressable markets. These included our new HSY signal generation architecture which we believe is an ideal multi-channel solution for semiconductor manufacturing, quantum computing and radar test systems. We also released a 5G small cell reference platform collaborating on the NXP platform which helps developers of specialized small cells for 5G private networks and other 5G applications. In total, over the last five years we have enhanced over 30 new product solutions and in 2021 alone added five new customers for our 5G software stack.

We also invested in our people and added new talent to our workforce. This included building out our go-to-market teams, adding depth to sales and marketing, and adding engineers to our CommAgility R&D team focused on our 5G software. Additionally, we continued to further strengthen the industry expertise of our Board of Directors with the addition of Scott Gibson in the first quarter of 2021, following the inclusion of Jennifer Fritzsche in late 2020. We remain focused on taking good care of our employees as well as recruiting the very best people who can contribute to our mission and help advance the business forward.

Managing Risk Today Positions us for the Future

Lingering Covid, supply chain disruption, inflationary environment

The first half of 2021 continued to be significantly impacted by the effects of the Covid-19 pandemic. Our focus on the health and safety of our employees and maintaining effective, essential operations for our customers enabled strong customer retention and bookings. In the second half of 2021, new risks emerged, including an increasingly disrupted supply chain and the impacts of higher inflation.

We adjusted our purchasing strategy and inventory stocking levels, added new vendors and redesigned products to reduce material shortage and component end-of-life risks. We also exercised our pricing power in two of our segments, Test & Measurement and Radio Baseband Software, and successfully managed through price increases in these segments to help offset negative impacts to our margins.

As I have mentioned in the past, 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. Our growth and profitability in the future will be built in part on our experiences and proven skills weathering the challenges of the last year.

Transforming the business

Microlab divestiture, elimination of debt, cash on the balance sheet

Our most transformational initiative during 2021 was the strategic Microlab divestiture. After exploring options earlier in the year, we successfully completed the sale agreement in December 2021 and consummated the transaction on March 1, 2022.

The divestiture creates enormous strategic flexibility and opportunity. We paid off our debt and removed the covenant restrictions on the business ahead of an increasing interest rate environment. We added almost $20 million of cash to our balance sheet, and we can now focus all our efforts in our two remaining segments which have higher growth opportunities due to the alignment to long-term investment themes. Our remaining two segments, Test & Measurement and Radio Baseband Software also have higher gross margin profiles, pricing power and larger, faster growing addressable markets.

Looking ahead, we have an expectation that the growth of private networks, 5G investments, satellite investments, and semiconductor and defense sector spend will continue to drive growth opportunity for our business.

We are committed to providing specialized solutions to our long-term customers, with continued investments and innovation aligned to drive revenue growth and customer success. We are also committed to unlocking the intrinsic value of the Company for our shareholders, by deploying excess cash through share repurchases and pursuing key strategic options to drive shareholder value.

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.

The consolidated financial statements for the 2021 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.

In 2021, Microlab, Boonton, Noisecom, CommAgility and Holzworth were organized as one reporting segment and three product groups. 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. As more fully described under Recent Event below, on December 16, 2021, the Company entered into an agreement to sell the membership interests of Microlab to RF Industries, Ltd. The transaction closed on March 1, 2022. Accordingly, following the close of the sale, the Company will be comprised of the Boonton, Holzworth, and Noisecom brands within our T&M product group and CommAgility within our RBS product group. All of the financial information included in this Annual Report on Form 10K includes the financial results of Microlab for the fiscal year ended 2021. In fiscal 2022, the results of Microlab will be reported as a discontinued operation.

Recent Event

On December 16, 2021, the Company and its wholly owned subsidiary Microlab entered into a Membership Interest Purchase Agreement (the “Purchase Agreement”) with RF Industries, Ltd., a Nevada corporation (the “Buyer”) whereby the Buyer agreed to purchase 100% of the membership interests in Microlab for a purchase price of $24,250,000, subject to certain adjustments as set forth in the Purchase Agreement. The board of directors of each of the Company and the Buyer unanimously approved the Purchase Agreement and the transactions contemplated thereby (collectively, the “Transaction”). On February 25, 2022, the shareholders of the Company approved the transaction at a Special Meeting of Shareholders held virtually via live webcast and on March 1, 2022, the Transaction closed.

At closing the Company received approximately $23.9 million, net of $250,000 of indemnity holdback amounts placed in escrow accounts, of which $4.2 million was used to repay our outstanding term loan with Muzinich BDC, approximately $700,000 was used to repay our outstanding revolver balance related to the Bank of America credit agreement, $486,000 was used to pay our advisors and $455,000 will be used to pay certain transaction bonuses resulting in an additional $18.0 million in cash to the balance sheet in March. We believe the Transaction allows us to prepare for the next stage of transformation with a stronger concentration of revenues in specialized 5G software and services for 5G private networks and test and measurement applications for the satellite communications, semiconductor and aerospace and defense industries. Furthermore, with the repayment of the Muzinich term loan and the Bank of America credit agreement, we have strengthened our balance sheet and increased our liquidity allowing us flexibility to invest in our higher margin product groups.

The Consolidated Financial Statements and Management’s Discussion and Analysis of Financial Condition and Results of Operations presented in this Annual Report on Form 10-K for the fiscal year ended 2021 include the results of Microlab for all periods presented because the Transaction was consummated on March 1, 2022.

Customers

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.

Products

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.

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 83% and 82% of the Company’s consolidated revenues in fiscal years 2021 and 2020, respectively, were derived from commercial customers. The remaining consolidated revenues (approximately 17% and 18% in 2021 and 2020, respectively) were comprised of revenues from the United States government (particularly the armed forces) and prime defense contractors.

Brands and Products

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 in specialized applications and use-cases in wireless baseband, private networks, and non-terrestrial ("NTN") communications. 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.

In October 2021, CommAgility joined the O-RAN Alliance, a global community that aims to develop and promote Open Radio Access Network ("RAN") products and solutions for mobile networks. With more than 300 members, the O-RAN Alliance is enabling the industry to take advantage of new open virtualized architectures, software and hardware. The membership gives CommAgility

access to all O-RAN specifications, including those that are not yet approved or released to the public. The Company will be able to perform interoperability testing and integration of its implementations at industry promoted events called plugfests with other alliance members and contributors.

Microlab

As noted above Microlab was sold to RF Industries, Ltd. on March 1, 2022.

Prior to the sale, Microlab designed and manufactured 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.

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.

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, technology component 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 years ended December 31, 2021 and December 31, 2020, no one customer accounted for more than 10% 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, Mavenir, AnaPico, Parallel Wireless, Arraycomm, Astri, Accelercomm 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
- 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 $11.7 million at December 31, 2021, compared to approximately $8.3 million at December 31, 2020. The increase in backlog is due to higher order flow from our T&M and RFC product groups as compared to the prior year. Excluding Microlab, the Company's backlog at December 31, 2021 was $9.2 million which was approximately $2.1 million or 30% higher than December 31, 2020. It is anticipated that the majority of the backlog orders at December 31, 2021 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. During 2021, the Company experienced component shortages and longer lead times from suppliers. Although there was no material impact to our consolidated financial statements in 2021 as a result of supply chain disruptions, continued component shortages or extended lead times in the future may have an adverse impact on the Company's operations. For the year ended December 31, 2021 two suppliers each accounted for 12% of total consolidated inventory purchases. For the year ended December 31, 2020, two suppliers each accounted for 14% 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 51% 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 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.

As a result of the Microlab divestiture, the Company filed a General Information Notice with the New Jersey Department of Environmental Protection ("NJDEP") for our corporate headquarters in Parsippany, N.J. in accordance with the New Jersey Industrial Site Recovery Act ("ISRA"). Additionally, the Company engaged a Licensed Site Remediation Professional ("LSRP") to perform a Preliminary Assessment ("PA") at the site in accordance with the provisions of ISRA. The PA is identifying several areas requiring further environmental investigation. In accordance with ISRA, the Company posted a $100,000 letter of credit with the NJDEP. The Company will engage the LSRP to perform further investigation and testing at the site during 2022 in order to determine what, if any, remediation is required. At this time, while it cannot be guaranteed, the Company does not anticipate that material expenditures will be required to meet current or pending environmental requirements under ISRA.

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.

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.

Cybersecurity Maturity Model Certification

The Cybersecurity Maturity Model Certification ("CMMC") framework is designed to protect Federal Contract Information ("FCI") and Controlled Unclassified Information ("CUI") that is handled, stored and/or processed by Defense Industrial Base contractors and is being implemented to further protect the mission of the U.S. Department of Defense ("DOD"). CMMC applies to all DOD contractors and anyone in the defense contract supply chain. Certain of our contracts with the defense subcontractors or direct with the

U.S Government may require compliance with CMMC. The original timeline for implementation of CMMC was based on a five-year phased rollout schedule. The Company is in the process of completing self-assessments to comply with CMMC.

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. On February 28, 2022, immediately prior to the Microlab divestiture the Company had 155 full time employees. Subsequent to the Microlab divestiture on March 1, 2022, the Company has 115 full time employees.

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, 2022, the Company had 361 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

As of December 31, 2021 the Company issued 143,514 shares of unregistered common stock to the Holzworth founders as part of the payment for the Year 1 Earnout, as defined, in the Holzworth Stock Purchase Agreement.

Issuer Purchases of Equity Securities

The Company did not repurchase any securities during the year ended December 31, 2021.

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	3,256,167	$1.65	442,500
Equity compensation plans not approved by security holders	-	-	-
Total	3,256,167	$1.65	442,500

Item 6. [Reserved]

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.

In 2021, the Company was comprised of five brands – Microlab, Boonton, Noisecom, CommAgility and Holzworth organized as three product groups. Our product groups were organized as follows: Radio Frequency Components ("RFC") was comprised of our Microlab brand; Radio, Baseband, Software ("RBS") was comprised of our CommAgility brand; and Test and Measurement ("T&M") was comprised of our Boonton, Noisecom and Holzworth brands. The financial condition and results of operations described in this Annual Report on Form 10-K include the 2021 results of Microlab. On March 1, 2022, we sold Microlab to RF Industries, Ltd. Accordingly, the Company currently is comprised of the T&M and RBS products groups.

Key 2021 Developments and Financial Results

In 2021 our consolidated revenue increased 18.0% from the prior year, driven primarily by our T&M and RBS revenues, as we experienced a recovery from COVID-19 related declines as well as strong demand for our T&M and RBS solutions. T&M product demand was driven by new product introductions, improved demand generation activities, and a rebound in customer spending outside the U.S. due in part to relaxed COVID-19 related restrictions. Also contributing to the overall increase in revenue were increased sales of our LTE and 5G software and services driven by new customer contracts for specialized applications and RBS digital signal processing cards.

Our consolidated gross margins were 50.9% in 2021 compared to 50.2% for the year ago period reflecting increased sales of our higher margin T&M solutions. Our 2021 GAAP operating loss decreased from $8.1 million in 2020 to $145,000 in 2021. The 2021 GAAP operating loss included a non-cash indefinite lived intangible asset impairment charge of $258,000 and an increase in our contingent consideration liability related to the Holzworth earnout of $386,000. The intangible asset impairment charge was recorded as part of our required annual impairment testing and was triggered primarily by the lower hardware sales at CommAgility as compared to prior years. We continue to be optimistic about CommAgility's ability to grow software and services revenues as evidenced by our 2021 results which reflect a 140% growth from 2020 driven by new customers and applications. In addition, our recent 2020 acquisition of Holzworth in our T&M product group, continues to outperform our expectations resulting in an increase in the contingent consideration liability noted above of $386,000 related to that brand's financial performance in 2021. The 2021 earn-out is the second and final earnout period for Holzworth.

In 2021 we generated $4.6 million of cash flow from operations, an increase of $1.6 million from the prior year period, and we continued to carefully manage our capital expenditures which totaled $524,000 for 2021. In June, we received forgiveness of our Paycheck Protection Program Loan in the amount of $2.0 million which is recognized as a gain on extinguishment of debt in other income in the consolidated statement of operations. In the third quarter we raised $563,000 in cash, net of agent commissions and professional fees, as part of our At-the-Market Common Stock Sales offering and later in the third quarter made a prepayment of our Muzinich term debt in the amount of $3.7 million. Overall, our debt less cash, or net debt, as of December 31, 2021 is zero, a reduction of $3.4 million of net debt from December 31, 2020.

The financial information presented herein includes: (i) Consolidated Balance Sheets as of December 31, 2021 and 2020; (ii) Consolidated Statements of Operations and Comprehensive Income/(Loss) for the years ended December 31, 2021 and 2020; (iii) Consolidated Statement of Changes in Shareholders' Equity for the years ended December 31, 2021 and 2020; and (iv) Consolidated Statements of Cash Flows for the years ended December 31, 2021 and 2020.

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 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

Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606),* ("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. We apply ASU No. 2016-02, *Leases (Topic 842)* to our lease arrangements. In accordance with Topic 842, 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 2021 of each reporting unit. The qualitative assessment of Holzworth and Microlab did not indicate any impairment of goodwill. As a result of the reduced hardware sales from prior years, 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.

The result of our quantitative analysis was that the estimated fair value of the CommAgility reporting unit exceeded its carrying value thus no goodwill impairment charge was recorded in the fourth quarter of 2021. The excess of fair value above its carrying value was approximately 25% of the fair value. Recent operating performance, along with assumptions for specific customer opportunities, were considered in the key assumptions used during the fiscal 2021 impairment analysis. Management of the Company has determined the goodwill of CommAgility may have an increased likelihood of impairment if CommAgility is not able to execute against customer opportunities, and the long-term outlook for their cash flows are adversely impacted. Furthermore, changes in the long-term outlook may result in a change to other valuation assumptions. Factors monitored by management which could result in a change to CommAgility estimates include the outcome of customer requests for proposals and subsequent awards, labor market conditions and levels of overall economic activity.

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 as of the valuation date in the prior year, 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 impact of the COVID 19 pandemic on customer spending, and the uncertainty for enterprise spending and longer-term investment.

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. As of December 31, 2021 and 2020, the Company's consolidated goodwill balance of $11.5 million 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.

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.

In the fourth quarter of 2021, the Company recorded an impairment charge of $258,000 related to the CommAgility tradename. The non-cash impairment charge was due to a number of factors that arose as part of our quantitative assessment, most notably declining hardware sales since 2019. Additionally, the continued emergence of technical standards and the complexity of the specialized applications that our CommAgility software and related services would be integrated with as part of new customer projects were a factor in the tradename impairment analysis.

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, 2021 and 2020, the Company has identified its federal tax return, the state tax returns in New Jersey and Colorado and the United Kingdom as "major" tax jurisdictions, as defined in ASC 740, in which it is required to file income tax returns. Based on the evaluations noted above, the Company has concluded that there are no significant uncertain tax positions requiring recognition or disclosure in its consolidated financial statements.

Based on a review of tax positions for all open years and contingencies as set out in 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, 2021 and 2020, 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.

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 labor costs over the warranty period.

Comparison of the results of operations for the year ended December 31, 2021 with the year ended December 31, 2020

Net Revenues (in thousands)

	Twelve months ended December 31					
	Revenue		% of Revenue		Change	
	2021	2020	2021	2020	Amount	Pct.
RF components (RFC)	$ 17,756	$ 17,667	36.1%	42.3%	$ 89	0.5%
Test and measurement (T&M)	22,676	20,551	46.0%	49.2%	2,125	10.3%
Radio, baseband, software (RBS)	8,813	3,530	17.9%	8.5%	5,283	149.7%
Total net revenues	$ 49,245	$ 41,748	100.0%	100.0%	$ 7,497	18.0%

Consolidated net revenues increased 18.0% due to higher sales of our T&M and RBS solutions from the prior year period. T&M sales increased due to new product introductions, improved demand generation activities, and a rebound in customer spending outside the U.S. due in part to relaxed COVID-19 related restrictions. RBS revenues increased due to higher sales of our LTE and 5G software and services driven by new customer contracts for specialized applications and higher sales of our digital signal processing cards. RFC revenues were flat with last year as carrier spending remained low in the first two quarters of 2021 due to the ongoing impacts of the COVID-19 pandemic but increased as compared to the prior year in the third and fourth quarters.

Gross Profit (in thousands)

	Twelve months ended December 31					
	Gross Profit		Gross Profit %		Change	
	2021	2020	2021	2020	Amount	Pct.
RF components (RFC)	$ 7,497	$ 7,695	42.2%	43.6%	$ (198)	-2.6%
Test and measurement (T&M)	12,965	11,347	57.2%	55.2%	1,618	14.3%
Radio, baseband, software (RBS)	4,625	1,925	52.5%	54.5%	2,700	140.3%
Total gross profit	$ 25,087	$ 20,967	50.9%	50.2%	$ 4,120	19.6%

Consolidated gross profit increased $4.1 million primarily due to higher net revenues at our RBS and T&M product groups as compared to the prior year. Consolidated gross profit margin increased marginally from the prior year. RBS gross profit margin declined marginally due to higher mix of service revenues in 2021 as compared to 2020 which had a lower margin than software revenues. T&M gross profit margin increased 200 basis points from the prior year, which included certain one-time non-cash purchase accounting adjustments of $448,000. RFC gross profit margin declined 140 basis points from the prior year due to mix and continued market pricing pressures.

Operating Expenses (in thousands)

	Twelve months ended December 31					
	Operating Expenses		% of Revenue		Change	
	2021	2020	2021	2020	Amount	Pct.
Research and development	$ 5,550	$ 6,389	11.3%	15.3%	$ (839)	-13.1%
Sales and marketing	7,169	6,955	14.6%	16.7%	214	3.1%
General and administrative	11,869	9,907	24.1%	23.7%	1,962	19.8%
Goodwill and intangible asset impairment	258	4,742	0.5%	11.4%	(4,484)	-94.6%
Loss on change in fair value of contingent consideration	386	1,073	0.8%	2.6%	(687)	-64.0%
Total operating expenses	$ 25,232	$ 29,066	51.2%	69.6%	(3,834)	-13.2%

Consolidated research and development expenses decreased $839,000 or 13.1% from the prior year period due primarily to lower third party research and development expenses of $543,000 related to 2020 product development initiatives in our Boonton and CommAgility brands. The mix of third-party research and development expenses to internal expenses varies by project. We expect to continue third party investments in research and development dependent upon project deadlines, new product development opportunities and longer term product roadmap dependencies which, in turn, may create increases and decreases to research and development expenses as a percentage of revenue. Additionally, salaries expense declined from the prior year due primarily to our RBS engineers spending more time on customer service projects resulting in their salaries being classified as costs of revenue rather than research and development expense. These decreases were offset by an unfavorable foreign exchange impact of approximately $226,000 due to the strengthening of the Great British Pound ("GBP") against the U.S. dollar as compared to the prior year.

Sales and marketing expenses increased $214,000 or 3.1% due primarily to higher commissions expense of $217,000 and unfavorable foreign exchange impact of $56,000 due to the strengthening of the GBP to the U.S. dollar as compared to the prior year offset by other miscellaneous declines in sales and marketing expenses from the prior year.

General and administrative expenses increased $2.0 million or 19.8% due primarily to higher salaries and benefits of $695,000 due to headcount increases at our RBS product group and the full year impact of our Chief Revenue Officer, a higher bonus accrual of $434,000, higher legal and merger and acquisition expenses of $514,000 related to the sale of Microlab, higher insurance costs of $122,000, higher consulting and other market research expenses related to our strategic review process of $300,000 and an unfavorable foreign exchange impact of $126,000 related to the strengthening of the GBP as compared to the prior year. This was partially offset by a reduction in stock compensation expense of $217,000 due to the reversal of expense related to certain performance based stock options which are not probable to vest due to the Microlab divestiture as well as the deferred Form S-3 cost expense of $255,000 that was incurred in the prior year.

Goodwill and intangible impairment charges in the current year relate to an impairment charge taken on our indefinite lived tradename asset at our CommAgility reporting unit as a result of our annual impairment testing. The goodwill and intangible impairment charge in the prior year relate to our CommAgility reporting unit and is the result of our annual goodwill impairment analysis.

The loss on change in fair value of contingent consideration in both 2020 and 2021 relate to the earnout consideration to be paid in connection with the Holzworth acquisition. The loss recognized in 2021 of $386,000 relates to the additional consideration earned in relation to the better than expected performance in fiscal year 2021, and the loss of $1.1 million recognized in 2020 relates to the better than expected performance in fiscal year 2020.

Gain on Extinguishment of Debt

The Company recorded a $2.0 million gain on extinguishment of debt in 2021, as we received notice from the SBA that our PPP loan was fully forgiven.

Other income/expense

Other income decreased $117,000 from the prior year due primarily to gains on sales of assets realized in 2020 and lower foreign currency exchange gains.

Interest Expense

Interest expense increased $158,000 due primarily to the higher interest rate on our term loan facility with Muzinich and the prepayment fee associated with the loan payment made in the third quarter of 2021.

Tax

Consolidated tax benefit decreased $136,000 from the prior year due primarily to higher taxable income in the US jurisdiction partially offset by taxable losses in the UK due in part to research and development deductions.

Net Income/(Loss)

The Company generated net income for the year of $1.5 million as compared to an $8.1 million net loss in the prior year due to higher gross profit and lower impairment and contingent consideration charges as compared to the prior year and the gain recognized on extinguishment of the PPP loan in the current year which were only partially offset by higher interest expense and a lower tax benefit in the current year.

Liquidity and Capital Resources

As of December 31, 2021, the Company had three credit facilities – an asset based revolving loan which was subject to a borrowing base calculation (as defined) with Bank of America, N.A. (the “Credit Facility” or the “Revolver”), a term loan facility with Muzinich BDC Inc. (“Muzinich”) (the “Term Loan Facility”) which was used to finance the Holzworth acquisition in February 2020, and the Coronavirus Business Interruption Loan Agreement (“CIBLS Loan”) with Lloyds Bank PLC (“Lloyds”).

On March 1, 2022 the Company completed the divestiture of Microlab and received proceeds of $23.9 million which is subject to final purchase price adjustments in accordance with the Purchase Agreement. Simultaneous with the Microlab close the Company used $4.2 million of such proceeds to repay its term loan related to the Term Loan Facility and approximately $700,000 to repay its outstanding revolver balance related to the Credit Facility and terminated both the Term Loan Facility and Credit Facility. The Microlab transaction generated approximately $18.0 million of cash net of certain expenses and holdbacks. We expect our 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 fact that the Company will no longer benefit from the performance of the Microlab brand which historically accounted for a substantial portion of our consolidated revenue and that we will be entirely dependent on the RBS and T&M product groups.

The Microlab divestiture will be treated as a sale of the assets and liabilities of Microlab to RF Industries for U.S. federal and applicable state income tax purposes. The Company has approximately $15.0 million of U.S. federal net operating loss carryforwards and approximately $41.3 million of New Jersey state net operating loss carryforwards as of December 31, 2021. We expect to utilize all of our federal net operating loss carryforwards and approximately 50% of our state net operating loss carryforwards to offset the taxable gain generated from the Microlab divestiture. Accordingly, in the future, the Company could be subject to cash income taxes which would reduce our liquidity. Additionally, CommAgility benefits from a research and development deduction which significantly reduces the cash needed to pay taxes in the UK.

Credit Facilities in Effect During Fiscal 2021

Revolver

The Company entered into the Credit Facility with Bank of America, N.A. (“Bank of America”) on February 16, 2017. The Credit Facility 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 was 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 was calculated as a percentage of eligible accounts receivable and inventory, as defined, subject to certain caps and limits. The borrowing base was calculated on a monthly basis and interest was 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 entered into Amendment No. 5 to the Credit Facility (“BOA Amendment 5”). By entering into

BOA Amendment 5, Holzworth, together with CommAgility Limited, became borrowers under the Credit Facility. The obligations of the Borrowers under the Credit Facility were guaranteed by Wireless Telecom Group, Ltd. CommAgility Limited and Wireless Telecom Group, Ltd. are both wholly owned subsidiaries of the Company. Additionally, the Company prepaid the remaining principal balance of the Term Loan in the amount of $304,000.

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 were used for allowable purposes under the CARES Act (as defined below) and the Company promptly submitted an application for forgiveness and substantially all of the loan was forgiven. The Company received notice in June 2021 that the loan and accrued interest were fully forgiven, as described below.

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 below.

On September 28, 2021, the Company and its subsidiaries entered into Amendment No. 8 ("BOA Amendment 8") in which Bank of America consented to the aforementioned principal prepayment of the Muzinich Term Loan Facility and amended the definition of Fixed Charge Coverage Ratio to treat the Muzinich principal prepayment as being made on October 1, 2020. Additionally, Bank of America and the Company agreed that, in accordance with the Credit Facility, the LIBOR should be replaced with a successor rate in accordance with the provisions of BOA Amendment 5. Accordingly, BOA Amendment 8 defines the LIBOR successor rate for loans denominated in U.S. dollars to be the Bloomberg Short-Term Bank Yield Index rate ("BSBY"), loans denominated in Sterling to be the Sterling Overnight Index Average Reference Rate ("SONIA") and loans denominated in Euros to be the Euro Interbank Offered Rate ("EURIBOR"). Loans drawn after the effective date of BOA Amendment 8 bear interest as the successor rates named above plus the applicable margin, as defined.

As of December 31, 2021, the Company had no balance drawn on the Revolver and the interest rate was 2.00%.

Muzinch Term Loan Facility

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 were $21,000 per quarter with a balloon payment at maturity which was February 7, 2025. The Term Loan Facility included 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 2.50% 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 (as defined below) loan as long as the proceeds were used for allowable purposes under the CARES Act, the receipt of the loan did not violate the Credit Facility and the Company submitted an application for forgiveness and substantially all of the loan was forgiven. The Company received notice in June 2021 that the loan and accrued interest were fully forgiven, as described below.

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, amended the definition of consolidated EBITDA to include certain cash tax benefits related to our U.K. 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 would 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 which was made in March 2021 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 above in Note 2.

On May 27, 2021, the Company and its subsidiaries entered into the Third Amendment to the Credit Agreement and Limited Waiver (“Amendment 3)” with Muzinich in which Muzinich, among other things, permitted CommAgility to enter into the CIBLS Loan Agreement with Lloyds Bank Plc. See description below.

On September 28, 2021, the Company and its subsidiaries entered into the Fourth Amendment to Credit Agreement and Limited Waiver (“Amendment 4”) with Muzinich. Amendment 4 was executed in connection with a prepayment of the principal balance of the Muzinich term loan in the amount of $3.7 million and accrued interest thereon of $95,000 on September 28, 2021. Additionally, the Company paid a prepayment fee of 2% of the prepayment amount or $74,000.

Under the terms of Amendment 4, the interest rate margin was decreased from 9.25% to 8.75% when trailing twelve month Consolidated EBITDA, as defined, excluding the U.K. R&D tax credit, was less than or equal to $4.0 million and decreased from 8.50% to 8.00% when trailing twelve month Consolidated EBITDA, as defined, excluding the U.K. R&D tax credit, is greater than $4.0 million but equal to or less than $6.3 million. Muzinich also agreed to waive compliance with the financial covenant set forth in Section 7.11(c) of the Credit Agreement from September 28, 2021 until March 31, 2022. Section 7.11(c) required the trailing four week average liquidity, as defined, of the Company’s CommAgility subsidiary to be no less than $1.0 million. The waiver of this covenant could be extended upon the consent of Muzinich. Additionally, under Amendment 4, the definition of Consolidated Interest Charges was amended to treat the aforementioned principal prepayment of $3.7 million as being made on October 1, 2020.

As of December 31, 2021, the principal balance on the Term Loan Facility was $4.1 million and the interest rate was 9.75%. On March 1, 2022 the Company repaid the outstanding principal balance and accrued interest on the Term Loan Facility and the Term Loan Facility was terminated.

PPP Loan

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 had an interest rate of 1% and a term of 24 months. A repayment schedule was not provided by Bank of America. Accordingly, as of December 31, 2020 the full amount of the term loan was shown as due in May 2022. Funds from the loan were used only for certain permitted purposes, including payroll, benefits, rent and utilities. The CARES Act and the PPP provided a mechanism for forgiveness of up to the full amount of the loan upon application to the SBA for forgiveness by the Company. The Company applied for forgiveness of the loan and received notice that the loan and accrued interest were fully forgiven. The Company elected to account for the loan in accordance with Accounting Standard Codification 470 *Debt*. Accordingly, the Company recorded a gain on extinguishment of debt on the Consolidated Statement of Operations and Comprehensive Income/(Loss) in the twelve months ended December 31, 2021.

CIBLS Loan

On May 27, 2021, CommAgility entered into the Coronavirus Business Interruption Loan Agreement (“CIBLS Loan”) with Lloyds Bank PLC (“Lloyds”). Under the terms of the CIBLS Loan, CommAgility can draw up to a maximum of £250,000 for purposes of supporting daily business cash flow. The CIBLS Loan is repayable in 48 consecutive equal monthly installments beginning in month 13 after the initial loan drawdown (12 month principal repayment holiday). Interest is payable monthly at the official bank rate of the Bank of England plus an interest margin of 2.35% per annum. Interest payments are due monthly beginning in month 13 after the initial loan drawdown. The first twelve months of interest payments are paid by the U.K. government. The CIBLS Loan is secured by the assets of CommAgility subject to a Deed of Priority between Muzinich, Bank of America and Lloyds. The CIBLS Loan ranks subordinate to both the Muzinich Term Loan and Bank of America Credit Facility.

On July 1, 2021 CommAgility executed a draw down of the maximum amount of £250,000. As of December 31, 2021, $42,000 is included in short term debt and $295,000 is included in long term debt on the Consolidated Balance Sheet.

Sources and Uses of Cash

As of December 31, 2021, the Company’s consolidated cash balance was $4.5 million as compared to $4.9 million as of the prior year. No funds were drawn on our Revolver and we had availability under our borrowing base of $6.1 million as of December 31, 2021. The outstanding balances of our Term Loan Facility and CIBLS Loan were $4.1 million and $337,000, respectively.

Our primary sources of cash were cash generated from operations of $4.6 million, $562,000 of net proceeds related to shares

sold under our at the market common stock offering and $345,000 related to the receipt of the CIBLS Loan, which was used to fund additional payments on the Muzinich term loan in the amount of $4.1 million and $1.3 million of payments related to Holzworth acquisition.

Operating Activities

Cash provided by operating activities increased from $3.0 million to $4.6 million primarily due to improved operating income offset by lower cash generated from working capital as compared to the prior year.

Investing Activities

Cash used by investing activities decreased from $8.6 million to $724,000 due to cash paid for the Holzworth acquisition in 2020 only partially offset by increased capital expenditures.

Financing Activities

Cash from financing activities decreased from $6.3 million in the prior year to $4.2 million of cash used in the current year due primarily to the receipt of the $8.4 million Term Loan Facility, net of debt issuance costs and $2.0 million PPP loan in 2020 compared to $4.2 million of term loan repayments and $1.1 million of contingent consideration payments related to the Holzworth acquisition made in 2021.

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. As of December 31, 2021, the Earnout accrual was $2.9 million, of which $2.5 million is related to the Year 1 Earnout and $386,000 is related to the Year 2 Earnout and is included in accrued expenses and other current liabilities in the consolidated balance sheet.

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.

On August 27, 2018 the Company filed a shelf registration statement on Form S-3 which was declared effective on September 17, 2018. On July 21, 2021, the Company entered into an At Market Issuance Sales Agreement (the "Sales Agreement") with B. Riley Securities, Inc. (the "Agent") to issue and sell through the Agent, shares of the Company's common stock, par value $0.01 per share, having an aggregate offering price of up to $12,000.000 (the "Shares"), as described in Note 4 – Equity. From July 21, 2021 through August 6, 2021, the Agent sold 254,701 shares of the company's common stock for net proceeds of $739,000 after deducting sales commissions paid to the Agent in accordance with the terms of the Sales Agreement and $560,000 after deducting direct legal and accounting fees associated with the offering. The shelf registration statement expired on September 17, 2021 and was not renewed by the Company.

Purchase obligations consist of inventory that arises in the normal course of business operations. Future obligations and commitments as of December 31, 2021 consisted of the following:

Table of Contractual Obligations
Payments by year (in thousands)

	Total	2022	2023	2024	2025	Thereafter
Facility leases	$ 1,591	$ 714	$ 326	$ 209	$ 214	$ 128
Operating and equipment leases	126	29	29	29	29	10
Purchase obligations	5,785	5,785	-	-	-	-
Muzinich Term Loan	4,104	84	84	84	3,852	
CIBLS loan	337	42	84	84	84	43
Holzworth deferred purchase price	250	250	-	-	-	-
Holzworth earn out	2,942	2,942	-	-	-	-
	$ 15,135	$ 9,846	$ 523	$ 406	$ 4,179	$ 181

The table of contractual obligations includes the Muzinich term loan facility which was repaid and terminated on March 1, 2022, in connection with the Microlab divestiture.

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.

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

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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 2021	December 31 2020
CURRENT ASSETS		
Cash & cash equivalents	$ 4,472	$ 4,910
Accounts receivable - net of reserves of $221 and $143, respectively	5,290	5,520
Inventories - net of reserves of $909 and $1,129, respectively	9,074	8,796
Prepaid expenses and other current assets	1,689	2,172
TOTAL CURRENT ASSETS	20,525	21,398
PROPERTY PLANT AND EQUIPMENT - NET	1,532	1,824
OTHER ASSETS		
Goodwill	11,459	11,512
Acquired intangible assets, net	3,661	5,242
Deferred income taxes, net	5,580	5,701
Right of use assets	1,146	1,680
Other assets	448	561
TOTAL OTHER ASSETS	22,294	24,696
TOTAL ASSETS	$ 44,351	$ 47,918
CURRENT LIABILITIES		
Short term debt	$ 126	$ 512
Accounts payable	2,264	1,546
Short term leases	585	534
Accrued expenses and other current liabilities	7,858	7,997
Deferred revenue	408	924
TOTAL CURRENT LIABILITIES	11,241	11,513
LONG TERM LIABILITIES		
Long term debt	3,595	8,895
Long term leases	615	1,200
Other long term liabilities	52	82
Deferred tax liability	228	377
TOTAL LONG TERM LIABILITIES	4,490	10,554
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, 35,915,636 and 34,888,904 shares issued, 22,666,074 and 21,669,361 shares outstanding	359	349
Additional paid in capital	51,555	50,163
Retained earnings/(deficit)	554	(946)
Treasury stock at cost, 13,249,562 and 13,219,543 shares	(24,619)	(24,556)
Accumulated other comprehensive income	771	841
TOTAL SHAREHOLDERS' EQUITY	28,620	25,851
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 44,351	$ 47,918

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	
	2021	2020
Net revenues	$ 49,245	$ 41,748
Cost of revenues	24,158	20,781
Gross profit	25,087	20,967
Operating expenses		
Research and development	5,550	6,389
Sales and marketing	7,169	6,955
General and administrative	11,869	9,907
Goodwill and intangibles impairment charge	258	4,742
Loss on change in fair value of contingent consideration	386	1,073
Total operating expenses	25,232	29,066
Operating income/(loss)	(145)	(8,099)
PPP Loan Forgiveness	2,045	-
Other income/(expense)	70	187
Interest expense	(1,143)	(985)
Income/(Loss) before taxes	827	(8,897)
Tax provision/(benefit)	(673)	(809)
Net income/(loss)	$ 1,500	$ (8,088)
Other comprehensive income/(loss):		
Foreign currency translation adjustments	(70)	190
Comprehensive income/(loss)	$ 1,430	$ (7,898)
Income/(Loss) per share:		
Basic	$ 0.07	$ (0.37)
Diluted	$ 0.06	$ (0.37)
Weighted average shares outstanding:		
Basic	22,050	21,657
Diluted	24,297	21,657

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 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**
Net income	-	-	-	1,500	-	-	1,500
Issuance of shares in connection with stock options exercised	140,000	1	207	-	-	-	208
Issuance of restricted stock	478,517	5	(5)	-	-	-	-
Issuance of shares in connection with Holzworth acquisition	143,514	1	314	-	-	-	315
Shares withheld for employee taxes	-	-	-	-	(63)	-	(63)
Share-based compensation expense	-	-	316	-	-	-	316
ATM Shares Sold	264,701	3	560	-	-	-	563
Cumulative translation adjustment	-	-	-	-	-	(70)	(70)
Balances at December 31, 2021	**35,915,636**	**$ 359**	**$ 51,555**	**$ 554**	**$ (24,619)**	**$ 771**	**$ 28,620**

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	
	2021	2020
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		
Net income/(loss)	$ 1,500	$ (8,088)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	2,152	2,238
PPP Loan Forgiveness	(2,045)	-
Goodwill and intangibles impairment	258	4,742
Amortization of debt issuance fees	335	297
Share-based compensation expense	316	474
Deferred rent	(30)	(29)
Deferred income taxes	(26)	178
Provision for doubtful accounts	78	(31)
Inventory reserves	141	157
Changes in assets and liabilities, net of acquisition:		
Accounts receivable	150	1,209
Inventories	(427)	(186)
Prepaid expenses and other assets	976	923
Accounts payable	770	(842)
Deferred Revenue	(515)	819
Accrued expenses and other liabilities	925	1,119
Net cash provided by operating activities	4,558	2,980
CASH FLOWS USED BY INVESTING ACTIVITIES		
Capital expenditures	(524)	(364)
Acquisition of business, net of cash acquired	(200)	(8,246)
Net cash used by investing activities	(724)	(8,610)
CASH FLOWS PROVIDED/(USED) BY FINANCING ACTIVITIES		
Revolver borrowings/(repayments), net	-	(2,354)
Term loan borrowings	345	8,400
Term loan repayments	(4,212)	(426)
Debt issuance fees	-	(1,327)
Paycheck Protection Program loan	-	2,045
Payment of contingent consideration	(1,052)	-
Proceeds from exercise of stock options	208	16
Tax withholding payments for vested equity awards	(63)	(46)
ATM Shares Sold	563	-
Net cash provided/(used) by financing activities	(4,211)	6,308
Effect of exchange rate changes on cash and cash equivalents	(61)	(13)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(438)	665
Cash and cash equivalents, at beginning of year	4,910	4,245
CASH AND CASH EQUIVALENTS, AT END OF YEAR	$ 4,472	$ 4,910
SUPPLEMENTAL INFORMATION:		
Cash paid during the period for interest	$ 810	$ 703
Cash paid during the period for income taxes	$ 187	$ 65
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.

Reclassification

Certain account balances from prior periods have been reclassified in these financial statements so as to conform to current period classifications.

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 liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. We base our assumptions, judgements and estimates on historical experience and various other factors that we believe to be reasonable under the circumstances. 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. At least quarterly, we evaluate our assumptions, judgements and estimates, and make changes as deemed necessary.

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, 2021 and December 31, 2020, no one customer accounted for more than 10% of the Company's total consolidated revenues. At December 31, 2021 no one customer accounted for more than 10% of consolidated gross accounts receivable. At December 31, 2020, one customer exceeded 10% of consolidated gross accounts receivable at 12.7%.

For the year ended December 31, 2021, two suppliers exceeded 10% of consolidated inventory purchases at 12% each. For the year ended December 31, 2020, two suppliers exceeded 10% of consolidated inventory purchases at 14% each.

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 $909,000 as of December 31, 2021 and $1.1 million as of December 31, 2020.

Inventories consist of (in thousands):	December 31, 2021		December 31, 2020	
Raw materials	$	5,271	$	4,644
Work-in-process		821		618
Finished goods		2,982		3,534
	$	9,074	$	8,796

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 $826,000 and $1.2 million as of December 31, 2021 and December 31, 2020, 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 2021 of each reporting unit. The qualitative assessment of Holzworth and Microlab did not indicate any impairment of goodwill. As a result of declining hardware sales and the early stages of adoption of software and services for specialized applications 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.

The result of our quantitative analysis was that the estimated fair value of the CommAgility reporting unit exceeded its carrying value thus no goodwill impairment charge was recorded in the fourth quarter of 2021. The excess of fair value above its carrying value was approximately 25% of the fair value. Recent operating performance, along with assumptions for specific customer opportunities, were considered in the key assumptions used during the fiscal 2021 impairment analysis. Management of the Company has determined the goodwill of CommAgility may have an increased likelihood of impairment if CommAgility is not able to execute against customer opportunities, and the long-term outlook for their cash flows are adversely impacted. Furthermore, changes in the long-term outlook may result in a change to other valuation assumptions. Factors monitored by management which could result in a change to CommAgility estimates include the outcome of customer requests for proposals and subsequent awards, labor market conditions and levels of overall economic activity.

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 as of the valuation date in the prior year, 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 impact of the COVID 19 pandemic on customer spending, and the uncertainty for enterprise spending and longer-term investment.

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. As of December 31, 2021 and 2020, the Company's consolidated goodwill balance of $11.5 million 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.

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.

In the fourth quarter of 2021, the Company recorded an impairment charge of $258,000 related to the CommAgility tradename. The non-cash impairment charge was due to a number of factors that arose as part of our quantitative assessment, most notably declining hardware sales since 2019. Additionally, the continued emergence of technical standards and the complexity of the specialized applications that our CommAgility software and related services would be integrated with as part of new customer projects were a factor in the tradename impairment analysis.

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 approximated fair value due to the expected short term nature of the loan.

During the fourth quarter of 2021, the Company recorded an impairment charge related to an indefinite lived intangible asset related to the CommAgility reporting unit as part of our annual impairment analysis. The Company used the relief from royalty calculation method which is based on estimated after tax royalty savings of estimated future revenues. Significant assumptions and estimates utilized in the model include the royalty and discount rates and estimated future revenues. The determination of the impairment charge was based on Level 3 valuation inputs.

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 ended 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 and 2021, the Company recorded an increase to the contingent consideration liabilities in the amount of $1.1 million and $386,000 in 2020 and 2021, respectively. The adjustments were recorded as a loss on change in fair value of contingent consideration in the Consolidated Statement of Operations and Comprehensive Income/(Loss).

As of December 31, 2021, amounts due for the Holzworth deferred purchase price and earnout were $250,000 and $2.9 million, respectively.

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 $13,000 and $64,000 in fiscal 2021 and 2020, respectively.

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, 2021 and 2020 were $5.6 million and $6.4 million, respectively.

Advertising Costs

Advertising expenses are charged to operations during the year in which they are incurred and were $279,000 and $235,000 for the years ended December 31, 2021 and 2020, 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.

In the fourth quarter 2021, management deemed the revenue performance targets related to certain performance option grants dated April 7, 2020 and August 4, 2020 as not probable of being met. This was primarily due to the pending divestiture of

Microlab and its related revenues. Accordingly, the Company reversed $217,000 of stock compensation expense previously recognized related to these grants.

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,	
	2021	2020
Weighted average common shares outstanding	22,049,636	21,656,906
Potentially dilutive equity awards	2,247,470	313,341
Weighted average common shares outstanding, assuming dilution	24,297,106	21,970,247

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 2021, was 1,205,000. The estimated number of shares issuable under the terms of the Holzworth earnout, if the balance of the earnout was paid in shares of common stock (see Note 2) at December 31, 2021 was 1,340,637.

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.

Recent Accounting Pronouncements Adopted in 2021

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740)*: Simplifying the Accounting for Income Taxes ("ASU 2019-12"), which simplifies the accounting for income taxes by removing certain exceptions related to the approach for intra-period tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The new ASU also simplifies aspects of the accounting for franchise taxes and enacted changes in tax laws or rates. These changes aim to improve the overall usefulness of disclosures to financial statement users and reduce unnecessary costs to companies when preparing the disclosures. The guidance was effective for the Company beginning on January 1, 2021 and prescribes different transition methods for the various provisions. The adoption of this standard had no material impact on the Company's financial statements or related disclosures.

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 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 February 7, 2020 the Company completed the acquisition of all of the outstanding shares of Holzworth. Holzworth instruments which include signal generators and phased noise analyzers, are used by government labs, the semiconductor industry, and network equipment providers, among others, in research labs, automated test environments and military and aerospace production applications. Holzworth is a complimentary business for our Boonton and Noisecom brands with a common customer base and channel partners.

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 acquisition date fair values of the assets acquired and the liabilities assumed.

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 was paid on March 31, 2021.

The sellers earned a second deferred purchase price payment of $750,000 when Holzworth exceeded $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 was 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 Year 1 Earnout was 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, at the Company's option, 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 total payment for the Year 1 Earnout is $3.4 million, of which $552,000 was paid in cash and $315,000 was issued in common stock as of December 31, 2021. The Year 1 Earnout accrual is $2.6 million as of December 31, 2021.

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, the Year 2 Earnout is payable in four equal quarterly installments payable on the last business day of each calendar quarter between March 31, 2022 and December 31, 2022. The aggregate payments of the Year 1 Earnout and Year 2 Earnout cannot exceed $7.0 million and the aggregate purchase price cannot exceed $17.0 million.

Due to the anticipated better than expected financial performance of the Holzworth reporting unit for fiscal year 2021, the Company recorded an increase to the contingent consideration liabilities in the amount of $386,000 related to the Year 2 Earnout. The adjustment was recorded as a loss on change in contingent consideration in the Consolidated Statement of Operations and Comprehensive Income/(Loss).

The total accrual as of December 31, 2021 related to the Year 1 and Year 2 Earnout is $2.9 million and is recorded in accrued expenses and other current liabilities on the consolidated balance sheet.

The following table summarizes the components of the purchase price and the allocation of the purchase price at fair value at the acquisition date (in thousands):

	Amounts Recognized as of Acquisition Date
Cash at close	$ 7,219
Equity issued at close	465
Purchase price holdback	800
Working capital adjustment	(292)
Deferred purchase price	1,410
Contingent consideration	2,440
Total purchase price	12,042
Cash	30
Accounts receivable	514
Inventory	1,438
Intangible assets	4,260
Other assets	967
Fixed assets	144
Accounts payable	(129)
Accrued expenses	(429)
Deferred revenue	(13)
Other long term liabilities	(740)
Net assets acquired	6,042
Goodwill	$ 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 tax deductible.

In accordance with ASC 805 adjustments to contingent consideration after the measurement period closes are recorded in the statement of operations rather than through goodwill. Due to the better than expected financial performance of Holzworth in 2020 and 2021, we recorded an increase through the consolidated statement of operations to our initial estimates of the Year 1 Earnout and Year 2 Earnout in the amounts of $1,073,000 and $386,000, respectively. Taking into account these adjustments to the contingent consideration liability the total purchase price for Holzworth was approximately $13.5 million. There are no additional earnout payments due related to the Holzworth acquisition.

NOTE 3 – Debt

Debt consists of the following (in thousands):

		December 31, 2021
Revolver at LIBOR plus margin	$	-
Term loan at LIBOR plus margin		4,104
Less: Debt issuance costs, net of amortization		(627)
Less: Fair value of warrants, net of amortization		(93)
CIBLS Loan at Bank of England plus margin		337
Total Debt		3,721
Less: Debt maturing within one year		(126)
Non-current portion of long term debt	$	3,595

Term loan payments by period (in thousands):

2022	$	126
2023		168
2024		168
2025		3,936
2026		43
Total	**$**	**4,441**

Muzinich Term Loan Facility

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 provided 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 on February 7, 2025. The Term Loan Facility included 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 2.50% 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 (as defined below) loan as long as the proceeds were used for allowable purposes under the CARES Act, the receipt of the loan did not violate the Credit Facility and the Company submitted an application for forgiveness and substantially all of the loan was forgiven. The Company received notice in June 2021 that the loan and accrued interest were fully forgiven, as described below.

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, amended the definition of consolidated EBITDA to include certain cash tax benefits related to our U.K. 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 would 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 which was made in March 2021 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 above in Note 2.

On May 27, 2021, the Company and its subsidiaries entered into the Third Amendment to the Credit Agreement and Limited Waiver ("Amendment 3)" with Muzinich in which Muzinich, among other things, permitted CommAgility to enter into the CIBLS Loan Agreement with Lloyds Bank Plc. See description below.

On September 28, 2021, the Company and its subsidiaries entered into the Fourth Amendment to Credit Agreement and Limited Waiver ("Amendment 4") with Muzinich. Amendment 4 was executed in connection with a prepayment of the principal balance of the Muzinich term loan in the amount of $3.7 million and accrued interest thereon of $95,000 on September 28, 2021. Additionally, the Company paid a prepayment fee of 2% of the prepayment amount or $74,000.

Under the terms of Amendment 4, the interest rate margin was decreased from 9.25% to 8.75% when trailing twelve month Consolidated EBITDA, as defined, excluding the U.K. R&D tax credit, was less than or equal to $4.0 million and decreased from 8.50% to 8.00% when trailing twelve month Consolidated EBITDA, as defined, excluding the U.K. R&D tax credit, was greater than $4.0 million but equal to or less than $6.3 million. Muzinich also agreed to waive compliance with the financial covenant set forth in Section 7.11(c) of the Credit Agreement from September 28, 2021 until March 31, 2022. Section 7.11(c) required the trailing four week average liquidity, as defined, of the Company's CommAgility subsidiary to be no less than $1.0 million. The waiver of this covenant could be extended upon the consent of Muzinich. Additionally, under Amendment 4, the definition of Consolidated Interest Charges was amended to treat the aforementioned principal prepayment of $3.7 million as being made on October 1, 2020.

Credit Facility with Bank of America, N.A.

The Company entered into a Credit Facility with Bank of America, N.A. ("Bank of America") 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 was calculated on a monthly basis and interest was 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 entered into Amendment No. 5 to the Credit Facility ("BOA Amendment 5"). By entering into BOA Amendment 5, Holzworth, together with CommAgility Limited, became borrowers under the Credit Facility. The obligations of the Borrowers under the Credit Facility were guaranteed by Wireless Telecom Group, Ltd. CommAgility Limited and Wireless Telecom Group, Ltd. are both wholly owned subsidiaries of the Company. Additionally, the Company prepaid the remaining principal balance of the BOA Term Loan in the amount of $304,000.

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 were used for allowable purposes under the CARES Act and the Company promptly submitted an application for forgiveness and substantially all of the loan was forgiven. The Company received notice in June 2021 that the loan and accrued interest were fully forgiven, as described below.

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.

On September 28, 2021, the Company and its subsidiaries entered into Amendment No. 8 ("BOA Amendment 8") in which Bank of America consented to the aforementioned principal prepayment of the Muzinich term loan and amended the definition of Fixed Charge Coverage Ratio to treat the Muzinich principal prepayment as being made on October 1, 2020. Additionally, Bank of America and the Company agreed that, in accordance with the Credit Facility, the LIBOR would be replaced with a successor rate in accordance with the provisions of BOA Amendment 5. Accordingly, BOA Amendment 8 defined the LIBOR successor rate for loans denominated in U.S. dollars to be the Bloomberg Short-Term Bank Yield Index rate ("BSBY"), loans denominated in Sterling to be the Sterling Overnight Index Average Reference Rate ("SONIA") and loans denominated in Euros to be the Euro Interbank Offered Rate ("EURIBOR"). Loans drawn after the effective date of BOA Amendment 8 would bear interest as the successor rates named above plus the applicable margin, as defined.

As of December 31, 2021, the principal balance on the Term Loan Facility was $4.1 million and the interest rate was 9.75%. As of December 31, 2021, the Company had no balance drawn on the Revolver and the interest rate was 2.00%. Additionally, the Company was in compliance with all debt covenants.

PPP Loan

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 had an interest rate of 1% and a term of 24 months. A repayment schedule was not provided by Bank of America. Accordingly, as of December 31, 2020 the full amount of the term loan was shown as due in May 2022. Funds from the loan were used only for certain permitted purposes, including payroll, benefits, rent and utilities. The CARES Act and the PPP provided a mechanism for forgiveness of up to the full amount of the loan upon application to the SBA for forgiveness by the Company. The Company applied for forgiveness of the loan and received notice that the loan and accrued interest were fully forgiven on June 5, 2021. The Company elected to account for the loan in accordance with Accounting Standard Codification 470 *Debt*. Accordingly, the Company recorded a gain on extinguishment of debt in the amount of $2.0 million on the Consolidated Statement of Operations and Comprehensive Income/(Loss) in the twelve months ended December 31, 2021.

CIBLS Loan

On May 27, 2021, CommAgility entered into the Coronavirus Business Interruption Loan Agreement ("CIBLS Loan") with Lloyds Bank PLC ("Lloyds"). Under the terms of the CIBLS Loan CommAgility can draw up to a maximum of £250,000 for purposes of supporting daily business cash flow. The CIBLS Loan is repayable in 48 consecutive equal monthly installments beginning in month 13 after the initial loan drawdown (12 month principal repayment holiday). Interest is payable monthly at the official bank rate of the Bank of England plus an interest margin of 2.35% per annum. Interest payments begin in month 13 after the initial loan drawdown. The first twelve months of interest payments are paid by the U.K. government. The CIBLS Loan is secured by the assets of CommAgility subject to a Deed of Priority between Muzinich, Bank of America and Lloyds. The CIBLS Loan ranks subordinate to both the Muzinich Term Loan and Bank of America Credit Facility.

On July 1, 2021 CommAgility executed a draw down of the maximum amount of £250,000. As of December 31, 2021, $42,000 is included in short term debt and $295,000 is included long term debt on the Consolidated Balance Sheet.

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. No further acquisitions were undertaken under the Term Loan Facility and as such no additional warrants will be issued.

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 Equity

On July 21, 2021, the Company entered into a Sales Agreement with B. Riley Securities, Inc. (the "Agent"), to issue and sell through the Agent, shares of the Company's common stock, having an aggregate offering price of up to $12,000,000. The Agent was not required to sell any specific number of shares. Shares sold under the Sales Agreement were issued and sold pursuant to the Company's previously filed registration statement on Form S-3 (File No. 333-227051) filed with the Securities and Exchange Commission (the "Commission") on August 27, 2018 and declared effective on September 17, 2018. A prospectus supplement relating to the offering of the Shares was filed with the Commission on July 21, 2021.

From July 21, 2021 through August 6, 2021 the Agent sold 264,701 shares of the Company's common stock for net proceeds of $739,000, after deducting sales commissions paid to the Agent in accordance with the terms of the Sales Agreement and $563,000 after deducting legal and other expenses.

The registration statement pursuant to which the shares were sold expired on September 17, 2021 and was not renewed.

NOTE 5 - 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, 2021 and 2020. 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 $668,000 and $648,000 during the twelve months ended December 31, 2021 and 2020, respectively, and is included in operating cash flows.

Operating lease costs were $1.1 million and $1.0 million during the twelve months ended December 31, 2021 and 2020, 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, 2021.

(in thousands)	December 31, 2021
Maturity of Lease Liabilities	
2022	$ 637
2023	276
2024	158
2025	163
2026	69
Total undiscounted operating lease payments	1,303
Less: imputed interest	(103)
Present Value of operating lease liabilities	$ 1,200
Balance sheet classification	
Current lease liabilities	$ 585
Long-term lease liabilities	615
Total operating lease liabilities	$ 1,200
Other information	
Weighted-average remaining lease term (months)	35
Weighted-average discount rate for operating leases	5.88%

NOTE 6 – 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 96% and 99% of the Company's total revenue for the twelve months ended December 31, 2021 and 2020, respectively.

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 $292,000 and $260,000 as of December 31, 2021 and 2020, respectively, and recorded in prepaid expenses and other current assets. Deferred revenue is $408,000 and $924,000 as of December 31, 2021 and 2020, respectively. The decrease in deferred revenue from the prior year is primarily due to recognition of billings in advance of revenue recognition for certain CommAgility projects involving multiple performance obligations which were deferred at December 31, 2020, only partially offset by new contract billings in advance of revenue recognition in 2021.

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, 2021	Twelve Months Ended December 31, 2020
Total net revenues by revenue type		
Passive and active RF solutions	$ 17,743	$ 17,633
Noise generators and components	13,744	13,356
Power meters and analyzers	7,154	5,737
Signal processing hardware	4,884	1,672
Software licenses	1,892	1,284
Services	3,828	2,066
Total net revenue	**$ 49,245**	**$ 41,748**
Total net revenues by geographic areas		
Americas	$ 35,800	$ 31,329
EMEA	7,366	6,329
APAC	6,079	4,090
Total net revenue	**$ 49,245**	**$ 41,748**

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, 2021 and 2020, sales in the United States amounted to $33.8 million and $30.6 million, respectively.

For the year ended December 31, 2021 shipments to the EMEA region were largely concentrated in the UK and Germany. Shipments to the UK and Germany in 2021 amounted to $5.3 million and $1.0 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.

The largest concentration of shipments in the APAC region is to China, where shipments amounted to $2.0 million for both years ended December 31, 2021 and 2020 There were no other shipments significantly concentrated in one country in the APAC region.

NOTE 7 - GOODWILL AND INTANGIBLE ASSETS

Goodwill consists of the following (in thousands):

	Holzworth	Microlab	CommAgility	Total
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
Foreign currency translation	-	-	(53)	(53)
Balance as of December 31, 2021	$ 6,000	$ 1,351	$ 4,108	$ 11,459

Intangible assets consist of the following (in thousands):

	December 31, 2021				
	Gross Carrying Amount	Accumulated Amortization	Impairment	Foreign Exchange Translation	Net Carrying Amount
Customer relationships	$ 5,075	$ (3,554)	$ -	$ 124	$ 1,645
Patents	615	(626)	-	27	16
Proprietary technology	1,550	(297)	-	-	1,253
Non-compete agreements	1,107	(1,150)	-	43	-
Holzworth tradename	400	(64)	-	-	336
CommAgility tradename	629	-	(258)	40	411
Total	$ 9,376	$ (5,691)	$ (258)	$ 234	$ 3,661

	December 31, 2020				
	Gross Carrying Amount	Accumulated Amortization	Impairment	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

Amortization of acquired intangible assets was $1.3 million for each of the twelve months periods ended December 31, 2021 and 2020. In the fourth quarter of 2021, the Company recorded a $258,000 impairment related to the CommAgility tradename. 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, 2021 (in thousands):

2022	$ 664
2023	573
2024	573
2025	573
2026	220
Thereafter	647
Total	$ 3,250

NOTE 8 - PROPERTY, PLANT AND EQUIPMENT

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

	2021	2020
Machinery & computer equipment/software	$ 9,399	$ 9,085
Furniture & fixtures	484	483
Leasehold improvements	1,406	1,358
Gross property, plant and equipment	11,289	10,926
Less: Accumulated depreciation	9,757	9,102
Net property, plant and equipment	$ 1,532	$ 1,824

Depreciation expense of $772,000 and $884,000 was recorded for the years ended December 31, 2021 and 2020, respectively.

NOTE 9 - OTHER ASSETS

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

	2021	2020
Product demo assets	$ 202	$ 187
Deferred costs	123	82
Security deposit	63	63
Debt issuance costs - Revolver	25	127
Income tax receivable	-	65
Other	35	37
Total	$ 448	$ 561

Product demo assets are net of accumulated amortization expense of $459,000 and $397,000 as of December 31, 2021 and 2020, respectively. Amortization expense related to demo assets was $49,000 and $84,000 in 2021 and 2020, respectively.

NOTE 10 - ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

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

	2021	2020
Holzworth earnout (Year 1 and Year 2)	$ 2,942	$ 3,423
Goods received not invoiced	1,057	458
Payroll and related benefits	718	864
Accrued bonus	590	123
Accrued commissions	531	605
Accrued professional fees	524	331
Return reserve	319	212
Sales and use and VAT tax	277	315
Holzworth deferred purchase price	250	950
Warranty reserve	78	140
Harris arbitration liability	-	116
Other	572	460
Total	$ 7,858	$ 7,997

NOTE 11 - ACCOUNTING FOR STOCK BASED COMPENSATION

The Company follows the provisions of ASC 718 *Compensation-Stock Compensation*. The Company's results for the years ended December 31, 2021 and December 31, 2020 include stock based compensation expense totaling $316,000 and $474,000, respectively. Such amounts have been included in the Consolidated Statement of Operations and Comprehensive Income/(Loss) within general and administrative 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 of December 31, 2021, there are no shares available for issuance under the 2012 Plan.

In the second quarter of 2021, the Company's Board of Directors and shareholders approved the 2021 Long Term Incentive Plan (the "2021 Incentive Plan"), which provides for the grant of equity-based and cash incentives, including stock awards, stock unit awards, performance unit awards, non-qualified stock options, incentive stock options and cash awards, including dividend equivalent rights to employees, officers, directors or other service providers of the Company who are expected to contribute to the Company's future growth and success. The 2021 Incentive Plan provides for the grant of awards relating to 1.5 million shares of common stock. As of December 31, 2021, there are 892,500 shares available for grant under the 2021 Incentive 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 and 2021 Incentive 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):

	2021	2020
Service based restricted stock awards	$ 154	$ 117
Service based restricted stock units	240	205
Performance based stock options	(89)	99
Service based stock options	11	53
	$ 316	$ 474

As of December 31, 2021, $2,000 of unrecognized compensation costs related to unvested stock options is expected to be recognized over a remaining weighted average period of 1.0 years, $451,000 of unrecognized compensation costs related to unvested restricted shares is expected to be recognized over a remaining weighted average period of 1.8 years and $253,000 of unrecognized compensation costs related to unvested restricted stock units is expected to be recognized over 6 months.

In the fourth quarter 2021, management deemed the revenue performance targets related to certain performance option grants dated April 7, 2020 and August 4, 2020 as not probable of being met. This was primarily due to the pending divestiture of Microlab and its related revenues. Accordingly, the Company reversed $217,000 of stock compensation expense previously recognized related to these grants.

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.

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, 2021 and 2020, and changes during the twelve months ended December 31, 2021 and 2020, are presented below:

	2021		2020	
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	200,670	$1.52	262,540	$1.63
Granted	255,000	$1.98	50,000	$1.20
Vested and issued	(98,334)	$1.61	(95,203)	$1.66
Forfeited	-	-	(16,667)	$1.56
Non-vested as of December 31	357,336	$1.84	200,670	$1.52

In the fourth quarter 2021, the Company granted 23 employees restricted common stock awards that vest over 2 years subject to continued employment through each vesting date. If an employee's service with the Company terminates before the restricted awards are fully vested, then the shares that are not then fully vested are forfeited and immediately returned to the Company.

The following table summarizes the restricted common stock awards granted during the years ended December 31, 2021 and 2020 under the Company's approved equity compensation plans:

	Number of Shares	Fair Market Value per Granted Share	Vesting
2021			
10/12/21 – Service grant - Employee	55,000	$2.03	Annual vesting through October 2023
10/18/21 – Service grant - Employee	105,000	$1.96	Annual vesting through October 2023
10/28/21 – Service grant - Employee	75,000	$2.12	Annual vesting through October 2023
12/6/21 – Service grant - Employee	20,000	$1.76	Annual vesting through December 2023
2020			
8/4/20 – Service grant - Employee	50,000	$1.20	Annual vesting through August 2024

Restricted Stock Units:

In fiscal 2021 and fiscal 2020 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 the 2021 Inventive Plan and 2012 Plan, respectively. 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, 2021 and 2020, and changes during the twelve months ended December 31, 2021 and 2020, are presented below:

	2021		2020	
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	161,507	$1.21	147,917	$1.56
Granted	154,400	$2.68	161,507	$1.21
Vested and issued	(165,907)	$1.23	(147,917)	$1.56
Forfeited	-	-	-	-
Non-vested as of December 31	150,000	$2.70	161,507	$1.21

The following table summarizes the restricted common stock units granted during the years ended December 31, 2021 and 2020 under the Company's approved equity compensation plans:

	Number of Shares	Fair Market Value per Granted Share	Vesting
2021			
4/1/2021 - Service grant – Board of Directors	4,400	$1.85	Annual board meeting – June 2021
8/2/2021 – Service grant – Board of Directors	150,000	$2.70	August 2, 2022
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

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. Prior to the fourth quarter of 2021, 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. In the fourth quarter of 2021 we deemed the performance conditions related to these grants not probable of being met due to the pending Microlab divestiture and the resulting reduction of consolidated revenue in the future. Accordingly, $217,000 of stock compensation expense was reversed in the fourth quarter of 2021.

A summary of performance-based stock option activity, and related information for the years ended December 31, 2021 and December 31, 2020 follows:

	2021		2020	
	Options	**Weighted Average Exercise Price**	**Options**	**Weighted Average Exercise Price**
Outstanding as of January 1	1,205,000	$1.52	105,000	$1.61
Granted	-	-	1,120,000	$1.50
Exercised	-	-	(20,000)	$0.78
Forfeited	-	-	-	-
Expired	-	-	-	-
Outstanding as of December 31	1,205,000	$1.52	1,205,000	$1.52
Exercisable at December 31	-	-	-	-

No performance-based stock options were granted in 2021.

As of December 31, 2021, none of the performance-based stock options outstanding were exercisable as the performance conditions 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, 2021 was $862,000 and the weighted average remaining life was 7.9 years.

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 range of exercise prices of outstanding performance-based options at December 31, 2021 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, 2021 and 2020 follows:

	2021		2020	
	Options	**Weighted Average Exercise Price**	**Options**	**Weighted Average Exercise Price**
Outstanding as of January 1	1,925,000	$1.52	1,950,000	$1.52
Granted	-	-	-	-
Exercised	(140,000)	$0.83	-	-
Forfeited	-	-	(6,250)	$1.66
Expired	-	-	(18,750)	$1.66
Outstanding as of December 31	1,785,000	$1.52	1,925,000	$1.52
Exercisable at December 31	1,785,000	$1.53	1,736,250	$1.51

No service-based stock options were granted in 2021.

The aggregate intrinsic value of exercisable and non-exercisable service-based stock options outstanding that were "in the money" (exercise price was lower than the market price) as of December 31, 2021 was $1.2 million and the weighted average remaining contractual life was 5.0 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, 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 range of exercise prices of outstanding service-based options at December 31, 2021 is $1.30 to $1.92 with a weighted average exercise price of $1.53 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, 2021 and 2020:

	Number of Options	Option Term (in years)	Exercise Price	Risk Free Interest Rate	Expected Volatility	Fair Value at Grant Date	Expected Dividend Yield
2021							
None							
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

NOTE 12 - 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 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 13 - 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, 2021 and 2020 amounted to $128,000 and $44,000, respectively.

NOTE 14 - INCOME TAXES

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

	Years Ended December 31,	
	2021	2020
Current:		
Federal	$ -	$ -
State	108	73
Foreign	(764)	(1,060)
Deferred:		
Federal	215	182
State	(94)	129
Foreign	(138)	(133)
Total	$ (673)	$ (809)

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,	
	2021	2020
	% of Pre Tax Earnings	% of Pre Tax Earnings
Statutory federal income tax rate	21.0 %	(21.0) %
State income tax net of federal tax benefit	22.5	(6.6)
Foreign rate difference	19.9	7.7
Change in valuation allowance	(24.3)	9.4
Goodwill Impairment	-	7.7
Gain on extinguishment of PPP Loan	(52.0)	-
Permanent differences	(2.5)	0.8
Research and development incentive	(75.3)	(8.1)
Other	9.3	1.1
Total	(81.4) %	(9.0) %

In 2021, 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 research and development deductions in the United Kingdom, the gain on extinguishment of the PPP Loan and a reduction in the state net operating loss valuation allowance. In 2020, the difference between the statutory and effective tax rate is due primarily to the goodwill impairment charge for the CommAgility reporting unit, the loss on contingent consideration related to the Holzworth earnout, the increase in state net operating loss valuation allocation and the research and development deductions in the United Kingdom.

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

	Years Ended December 31,	
	2020	2020
Deferred tax assets:		
Net operating loss carryforwards	$ 11,185	$ 11,888
Inventory	460	509
Research and development credit	648	648
Stock compensation	280	335
Lease liability	357	512
Other	329	266
Gross deferred tax assets	13,259	14,158
Less valuation allowance	(7,139)	(7,668)
Total deferred tax asset	$ 6,120	$ 6,490
Deferred tax liabilities:		
Goodwill and intangible assets	(134)	(368)
Fixed assets	(293)	(300)
Right of use asset	(341)	(498)
Total deferred tax liability	$ (768)	$ (1,166)
Net deferred tax asset	$ 5,352	$ 5,324

The Company has domestic federal and state net operating loss carryforwards as of December 31, 2021 of approximately $15.0 million and $41.3 million, respectively, which begin to expire in 2029. $689,000 of the federal net operating loss carryforward have no expiration. The Company also has foreign net operating loss carryforwards at December 31, 2021 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 $7.1 million and $7.7 million at December 31, 2021 and 2020, 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, 2021, 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 material 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 15 - 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.

Risks and Uncertainties

The conflict between Russia and Ukraine has led to and is expected to continue to lead to disruption, instability and volatility in global markets and industries. Our operations could be negatively impacted by the conflict. The U.S. government and other governments in jurisdictions in which we operate have imposed severe sanctions and export controls against Russia and Russian interests and threatened additional sanctions and controls. The impact of these measures, as well as potential responses to them by Russia, is currently unknown and they could adversely affect our business, supply chain, partners or customers.

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, 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.

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 16 – SUBSEQUENT EVENTS

Sale of Microlab/FXR LLC to RF Industries, Ltd.

On December 16, 2021, the Company and its wholly owned subsidiary Microlab entered into a Membership Interest Purchase Agreement (the "Purchase Agreement") with RF Industries, Ltd., a Nevada corporation (the "Buyer") whereby the Buyer agreed to purchase 100% of the membership interests in Microlab for a purchase price of $24,250,000, subject to certain closing adjustments as forth in the Purchase Agreement. The board of directors of each of the Company and the Buyer has unanimously approved the Purchase Agreement and the transactions contemplated thereby (collectively, the "Transaction"). On February 25, 2022, the shareholders of the Company approved the transaction at a special meeting of shareholders held virtually via live webcast and on March 1, 2022, the Transaction closed.

At closing the Company received approximately $23.9 million, net of certain holdback amounts placed in escrow accounts, of which $4.2 was used to repay our outstanding Term Loan Facility with Muzinich BDC, approximately $700,000 was used to repay our outstanding revolver balance related to the Bank of America Credit Agreement, and $486,000 was used to pay our advisors. The Company will pay approximately $455,000 in certain transaction bonuses resulting in $18.0 million in cash to the balance sheet. The Company terminated the Term Loan Facility with Muzinich BDC and the Revolver with Bank of America N.A. as of the Transaction close date. Additionally, concurrent with the closing, the Company entered into a sublease with RF Industries, Ltd for approximately one-half of the square footage of our corporate headquarters in Parsippany, NJ.

After close of the Transaction the Company is comprised of the RBS and T&M product groups. We believe the Transaction allows us to prepare for the next stage of transformation with a stronger concentration of revenues in specialized 5G software and services for 5G private networks and test and measurement applications for the satellite communications, semiconductor and aerospace and defense industries. Furthermore, with the repayment of the Muzinich term loan and Bank of America Credit Agreement, we have strengthened our balance sheet and increased our liquidity allowing us flexibility to invest in our higher margin product groups.

The Transaction will be treated as a sale of the assets and liabilities of Microlab to RF Industries for U.S. federal and applicable state income tax purposes. The Company has approximately $14.9 million of U.S. federal net operating loss carryforwards and approximately $41.2 million of New Jersey state net operating loss carryforwards as of December 31, 2021. We expect to utilize all of our federal net operating loss carryforwards and approximately 50% of our state net operating loss carryforwards to offset the taxable gain generated from the Microlab divestiture.

The following unaudited pro forma condensed financial results have been derived from the historical consolidated financial statements of the Company, as adjusted to give effect to our sale of Microlab, and are intended to reflect the impact of the Transaction on the Company on a pro forma basis as of and for the periods indicated. The unaudited pro forma financial information reflects the Transaction as if it had been consummated on January 1, 2020 and includes pro forma adjustments for preliminary estimates made by management and are intended for informational purposes only. They are not necessarily indicative of the financial results that would have occurred if the Transaction had taken place on the date indicated, nor are they indicative of the future consolidated results of the Company.

Pro-forma results for the years ended December 31, 2021 and 2020 are presented below (in thousands, except per share amounts):

	Year ended December 31			
(Unaudited)		2021		2020
Net Revenues	$	31,489	$	24,081
Gross Profit		17,411		13,094
Gross Profit Margin		55%		54%
Net (loss)		(900)		(10,661)
Loss per share - Basic		(0.04)		(0.49)
Loss per share - Diluted	$	(0.04)	$	(0.49)
Current Assets	$	32,074	$	34,364
Total Assets		53,939		58,714
Total Liabilites	$	9,796	$	13,222

Grant of Restricted Share Awards to Named Executive Officers

On January 6, 2022 the Compensation Committee of the Board of Directors approved the grant of restricted common stock awards to named executive officers Tim Whelan, Mike Kandell, Dan Monopoli and Alfred Rodriguez of 125,000, 75,000, 50,000 and 50,000 shares respectively. If an executive's service with the Company terminates before the restricted awards are fully vested, then the shares that are not then fully vested are forfeited and immediately returned to the Company. The grant date value per share was $2.11.

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, 2021, 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, 2021.

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.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

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Corporate Profile

Directors

C. Scott Gibson
President of Gibson Enterprises
Professional Board Member for public and nonprofit entities

Alan L. Bazaar
Chief Executive Officer of Hollow Brook Wealth Management LLC, *Independent Investment Advisory Firm*

Jennifer Fritzsche
Managing Director, Greenhill & Co.
Investment Bank

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
Senior Vice President, General Manager
Test & Measurement

Alfred Rodriguez
Senior Vice President, General Manager
Radio Baseband Software

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 Friday, July 29, 2022 via live webcast at:
www.virtualshareholdermeeting.com/WTT2022

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, 2021, 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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