

NORTHWEST NATURAL GAS CO
Form 10-Q
May 06, 2010

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

Form 10-Q

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

For the quarterly period ended March 31, 2010

OR

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

For the Transition period from _____ to _____

Commission File No. 1-15973

NORTHWEST NATURAL GAS COMPANY
(Exact name of registrant as specified in its charter)

Oregon
(State or other jurisdiction of
incorporation or organization)

93-0256722
(I.R.S. Employer
Identification No.)

220 N.W. Second Avenue, Portland, Oregon 97209
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (503) 226-4211

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

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

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

Large accelerated filer

Accelerated filer

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Non-accelerated filer []

Smaller reporting company []

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes [] No []

At April 30, 2010, 26,563,978 shares of the registrant's Common Stock (the only class of Common Stock) were outstanding.

NORTHWEST NATURAL GAS COMPANY

For the Quarterly Period Ended March 31, 2010

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Forward-Looking Statements

This report contains “forward-looking statements” within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by words such as “anticipates,” “intends,” “plans,” “seeks,” “believes,” “estimates,” “expects” and similar references to future periods. Examples of forward-looking statements include, but are not limited to statements regarding the following:

- plans;
 - objectives;
 - goals;
 - strategies;
 - future events or performance;
 - trends;
 - cyclicalities;
 - growth;
 - development of projects;
 - competition;
 - exploration of new gas supplies;
 - the benefits of liquefied natural gas;
 - estimated expenditures;
 - costs of compliance;
 - credit exposures;
- potential efficiencies;
 - impacts of new laws and regulations;
 - outcomes of litigation and other administrative matters;
 - projected obligations under retirement plans;
- adequacy of, and shift in, mix of gas supplies;
- adequacy of regulatory deferrals; and
- environmental, regulatory and insurance recovery.

Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Our actual results may differ materially from those contemplated by the forward-looking statements. We caution you therefore against relying on any of these forward-looking statements. They are neither statements of historical fact nor guarantees or assurances of future performance. Important factors that could cause actual results to differ materially from those in the forward-looking statements are discussed in our 2009 Annual Report on Form 10-K, Part I, Item 1A. “Risk Factors” and Part II, Item 7. and Item 7A., “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Quantitative and Qualitative Disclosures about Market Risk,” respectively.

Any forward-looking statement made by us in this report speaks only as of the date on which it is made. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by law.

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NORTHWEST NATURAL GAS COMPANY
PART I. FINANCIAL INFORMATION
Consolidated Statements of Income
(Unaudited)

Thousands, except per share amounts	Three Months Ended March 31,	
	2010	2009
Operating revenues:		
Gross operating revenues	\$286,529	\$437,355
Less: Cost of sales	148,561	284,174
Revenue taxes	7,042	10,542
Net operating revenues	130,926	142,639
Operating expenses:		
Operations and maintenance	30,666	33,955
General taxes	3,249	8,491
Depreciation and amortization	15,901	15,522
Total operating expenses	49,816	57,968
Income from operations	81,110	84,671
Other income and expense - net	3,023	890
Interest charges - net of amounts capitalized	10,489	9,370
Income before income taxes	73,644	76,191
Income tax expense	30,036	28,828
Net income	\$43,608	\$47,363
Average common shares outstanding:		
Basic	26,538	26,501
Diluted	26,601	26,597
Earnings per share of common stock:		
Basic	\$1.64	\$1.79
Diluted	\$1.64	\$1.78
Dividends per share of common stock	\$0.415	\$0.395

See Notes to Consolidated Financial Statements.

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NORTHWEST NATURAL GAS COMPANY
PART I. FINANCIAL INFORMATION
Consolidated Balance Sheets
(Unaudited)

Thousands	March 31, 2010	March 31, 2009	Dec. 31, 2009
Assets:			
Plant and property:			
Utility plant	\$2,232,307	\$2,158,946	\$ 2,216,112
Less accumulated depreciation	691,420	663,417	682,060
Utility plant - net	1,540,887	1,495,529	1,534,052
Non-utility property	177,227	80,689	146,622
Less accumulated depreciation and amortization	10,887	9,665	10,540
Non-utility property - net	166,340	71,024	136,082
Total plant and property	1,707,227	1,566,553	1,670,134
Current assets:			
Cash and cash equivalents	8,839	(480,496)	(471,487)
Book depreciation over tax		(17,545)	(17,699)
Net operating loss carryforward		13,827,477	13,947,384
		14,199,559	14,301,783
Valuation allowance for deferred tax assets		(7,012,134)	(7,012,134)
	\$	7,187,425	\$7,289,649

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

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

	Three Months Ended	
	March 31,	
	2015	2014
Current:		
Federal	\$14,631	\$16,743
State	31,284	70,365
Deferred:		

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Federal	93,275	220,791
State	8,949	23,833
	\$148,139	\$331,732

The Company has analyzed its filing positions in all of the Federal and state jurisdictions where it is required to file income tax returns. As of March 31, 2015 and December 31, 2014, the Company has identified its Federal tax return and its state tax return in New Jersey as “major” tax jurisdictions, as defined, in which it is required to file income tax returns. Based on the evaluations noted above, the Company has concluded that there are no significant uncertain tax positions requiring recognition or disclosure in its condensed consolidated financial statements.

WIRELESS TELECOM GROUP, INC.**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****(unaudited)****NOTE 4 - INCOME PER COMMON SHARE**

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

	Three Months Ended March 31,	
	2015	2014
Weighted average common shares outstanding	19,496,455	24,033,231
Potentially dilutive stock options	1,180,154	1,374,177
Weighted average common shares outstanding, assuming dilution	20,676,609	25,407,408

Common stock options are included in the diluted earnings per share calculation when the various option exercise prices are less than their relative average market price during the periods presented in this quarterly report. The weighted average number of shares of common stock underlying options not included in diluted earnings per share, because the effects are anti-dilutive, was 1,393,446 and 1,506,379 for the three-months ended March 31, 2015 and 2014, respectively.

NOTE 5 – INVENTORIES

Inventory carrying value is net of inventory reserves of \$1,037,247 at March 31, 2015 and December 31, 2014.

Inventories consist of:	March 31, 2015	December 31, 2014
Raw materials	\$4,174,336	\$ 4,161,734
Work-in-process	992,117	735,364
Finished goods	3,586,944	3,643,979
	\$8,753,397	\$ 8,541,077

NOTE 6 - 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 not amortized but rather is reviewed for impairment at least annually, or more frequently if a triggering event occurs. Management first makes a qualitative assessment of whether it is more-likely-than-not that a reporting unit's fair value is less than its carrying amount before applying the two-step goodwill impairment test described below. If, based on the qualitative assessment, the estimated fair value is well in excess of its carrying amount, management will not perform a quantitative assessment. If, however, the conclusion is that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, management then performs a two-step goodwill impairment test. Under the first step, the fair value of the reporting unit is compared with its carrying value, and, if an indication of goodwill impairment exists for the reporting unit, the Company must perform step two of the impairment test (measurement).

Under step two, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill as determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation.

The residual fair value after this allocation is the implied fair value of the reporting unit's goodwill. If the fair value of the reporting unit exceeds its carrying value, step two does not need to be performed.

WIRELESS TELECOM GROUP, INC.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

NOTE 6 – GOODWILL (Continued)

The Company's goodwill balance of \$1,351,392 at March 31, 2015 and December 31, 2014 relates to one of the Company's reporting units, Microlab. Management's qualitative assessment performed in the fourth quarter of 2014 did not indicate any impairment of Microlab's goodwill as its fair value is estimated to be well in excess of its carrying value. Furthermore, no events have occurred since then that would change this assessment.

NOTE 7 - ACCOUNTING FOR STOCK BASED COMPENSATION

The Company follows the provisions of ASC 718, "Share-Based Payment." The Company's results for the three-month periods ended March 31, 2015 and 2014 include share-based compensation expense totaling \$85,963 and \$57,884, respectively. Such amounts have been included in the Condensed Consolidated Statements of Operations within operating expenses.

Incentive Compensation Plan:

In 2012, the Company's Board of Directors and shareholders approved the 2012 Incentive Compensation Plan (the "Initial 2012 Plan"), which provides for the grant of restricted stock awards, 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 2,000,000 shares of common stock, plus those shares still available under the Company's prior incentive compensation plan. In June 2014, the Company's shareholders approved the Amended and Restated 2012 Incentive Compensation Plan (the "2012 Plan") allowing for an additional 1,658,045 shares of the Company's common stock to be available for future grants under the 2012 Plan. As of March 31, 2015, there were 2,359,000 shares available for issuance under the 2012 Plan, including those shares available under the Company's prior incentive compensation plan as of such date.

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

Provisions of the 2012 Plan require that all awards that are stock options be made at exercise prices equal to or greater than the fair market value on the date of the grant.

The Company did not grant stock option awards during the three-month periods ended March 31, 2015 and 2014.

The following summarizes the components of share-based compensation expense by equity type for the three-months ended March 31:

	Three Months Ended March 31,	
	2015	2014
Service-based Restricted Common Stock	\$49,800	\$57,844
Performance-based Restricted Common Stock	6,128	—
Performance-based Stock Options	30,035	—
Total Share-Based Compensation Expense	\$85,963	\$57,884

Stock-based compensation for the three-months ended March 31, 2015 and 2014 is included in general and administrative expenses in the accompanying condensed consolidated statement of operations.

WIRELESS TELECOM GROUP, INC.**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****(unaudited)****NOTE 7 - ACCOUNTING FOR STOCK BASED COMPENSATION (Continued)*****Restricted Common Stock Awards:***

In June 2014, the Company granted 80,000 shares of restricted common stock to certain directors of the Company under the 2012 Plan. The shares were granted at a price of \$2.49 per share and will fully vest on the date of the Company's next annual shareholders meeting to be held in June 2015, or a vesting period of approximately one year. The total compensation expense to be recognized over the vesting period is \$199,200.

A summary of the status of the Company's non-vested restricted common stock, as granted under the Company's approved stock compensation plans, as of March 31, 2015, and changes during the three-months ended March 31, 2015, are presented below:

	Number of Shares	Weighted Average Grant Date Fair Value
Non-vested Restricted Shares		
Non-vested at January 1, 2015	180,000	\$ 2.09
Granted	—	—
Forfeited	—	—
Vested	—	—
Non-vested at March 31, 2015	180,000	\$ 2.09

Under the terms of the performance-based restricted common stock award agreements (for the 100,000 awards granted in 2013), the awards will fully vest and become exercisable on the date on which the Company's Board of Directors shall have determined that specific financial milestones have been met, provided the employee remains in the employ of the Company at such time; provided, however, upon a Change in Control (as defined in the award agreements and the 2012 Plan), the restricted stock shall automatically vest as permitted by the 2012 Plan. The Company's Board of Directors adopted specific revenue and earnings performance targets as vesting conditions. As of March 31, 2015, management has determined the performance conditions related to these restricted stock awards are probable to be achieved by the year ending 2020. As a result, the Company adjusted the amortization of the fair market value of these

awards over the revised implicit service period from December 2017 to December 2020. If management determines in future periods the achievement of performance conditions are probable to occur sooner than expected, the Company will accelerate the expensing of any unamortized balance as of that determination date.

As of March 31, 2015, the unearned compensation related to Company granted restricted common stock was \$190,718 of which \$49,800 (pertaining to 80,000 restricted common stock awards) will be amortized on a straight-line basis through the date of the Company's next annual shareholders meeting to be held in June 2015, the vesting date. The remaining balance of \$140,918 (pertaining to 100,000 performance-based restricted common stock awards issued in 2013) will be amortized on a straight-line basis through December 31, 2020, the revised implicit service period.

Performance-Based Stock Option Awards:

A summary of performance-based stock option activity, and related information for the three-months ended March 31, 2015 follows:

	Options	Weighted Average Exercise Price
Outstanding, January 1, 2015	2,070,000	\$ 1.33
Granted	—	—
Exercised	—	—
Forfeited	—	—
Expired	—	—
Outstanding, March 31, 2015	2,070,000	\$ 1.33

Options exercisable:

March 31, 2015	1,120,000	\$ 0.95
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WIRELESS TELECOM GROUP, INC.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

NOTE 7 - ACCOUNTING FOR STOCK BASED COMPENSATION (Continued)

The aggregate intrinsic value of performance-based stock options outstanding (regardless of whether or not such options are exercisable) as of March 31, 2015 and December 31, 2014 was \$2,743,650 and \$2,792,690, respectively. The aggregate intrinsic value of performance-based stock options exercisable as of March 31, 2015 and December 31, 2014 was \$1,860,150 and \$1,882,550, respectively.

Under the terms of the performance-based stock option agreements, the awards will fully vest and become exercisable on the date on which the Company's Board of Directors shall have determined that specific financial performance milestones have been met, provided the employee remains in the employ of the Company at such time; provided, however, upon a Change in Control (as defined in the stock option agreements and the 2012 Plan), the stock options shall automatically vest as permitted by the 2012 Plan. As of March 31, 2015, management has determined the performance conditions related to these stock option awards are probable to be achieved by the year ending 2020. As a result, the Company adjusted the amortization of the fair market value of these awards over the revised implicit service period from December 2017 to December 2020. If management determines in future periods the achievement of performance conditions are probable to occur sooner than expected, the Company will accelerate the expensing of any unamortized balance as of that determination date.

As of March 31, 2015, the unearned compensation related to the 950,000 performance-based stock options granted in August 2013 (weighted average per share exercise price of \$1.77) is \$690,809, which will be amortized on a straight-line basis through December 31, 2020, the implicit service period.

The Company's performance-based stock options granted prior to 2013 (consisting of 1,150,000 options) are fully amortized.

Service-Based Stock Option Awards:

A summary of service-based stock option activity, and related information for the three-months ended March 31, 2015 follows:

	Options	Weighted Average Exercise Price
Outstanding, January 1, 2015	522,000	\$ 2.51
Granted	—	—
Exercised	—	—
Forfeited	—	—
Expired	(24,000)	\$ 2.55
Outstanding, March 31, 2015	498,000	\$ 2.51
Options exercisable:		
March 31, 2015	498,000	\$ 2.51

The aggregate intrinsic value of service-based stock options exercisable as of March 31, 2015 and December 31, 2014 was \$95,000 and \$102,640, respectively.

At March 31, 2015, the Company's service-based stock options are fully amortized.

NOTE 8 – SEGMENT INFORMATION

The operating businesses of the Company are segregated into two reportable segments: (i) network solutions; and (ii) test and measurement. The network solutions segment is comprised primarily of the operations of Wireless Telecom Group Inc.'s subsidiary, Microlab. The test and measurement segment is comprised primarily of the operations of Wireless Telecom Group, Inc. which operates the Noisecom product line and the operations of its subsidiary, Boonton.

WIRELESS TELECOM GROUP, INC.**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****(unaudited)****NOTE 8 – SEGMENT INFORMATION (Continued)**

The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies. The Company allocates resources and evaluates the performance of segments based on income or loss from operations, excluding interest, corporate expenses and other income (expenses).

Financial information by reportable segment for the three-months ended March 31, 2015 and 2014:

	Three Months Ended March 31,	
	2015	2014
Net sales by segment:		
Network solutions	\$5,895,159	\$6,389,858
Test and measurement	2,732,532	2,795,473
Total consolidated net sales of reportable segments	\$8,627,691	\$9,185,331
Segment income:		
Network solutions	\$971,391	\$1,515,585
Test and measurement	216,464	225,026
Income from reportable segments	1,187,855	1,740,611
Other unallocated amounts:		
Corporate expenses	(849,130)	(938,564)
Other income (expense) - net	3,267	(30,339)
Consolidated income before income tax provision	\$341,992	\$771,708
Depreciation and amortization by segment:		
Network solutions	\$51,061	\$34,269
Test and measurement	58,123	84,362
Total depreciation and amortization for reportable segments	\$109,184	\$118,631
Capital expenditures by segment:		
Network solutions	\$144,757	\$69,957
Test and measurement	102,079	30,505
Total consolidated capital expenditures by reportable segment	\$246,836	\$100,462

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Financial information by reportable segment as of March 31, 2015 and December 31, 2014:

	2015	2014
Total assets by segment:		
Network solutions	\$11,650,138	\$11,088,332
Test and measurement	7,244,222	7,006,853
Total assets for reportable segments	18,894,360	18,095,185
Corporate assets, principally cash and cash equivalents and deferred and current taxes	18,064,995	18,193,737
Total consolidated assets	\$36,959,355	\$36,288,922

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WIRELESS TELECOM GROUP, INC.**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****(unaudited)****NOTE 8 – SEGMENT INFORMATION (Continued)**

Net consolidated sales by region were as follows:

	Three Months Ended March 31,	
<u>Sales by region</u>	2015	2014
Americas	\$6,466,636	\$7,044,074
Europe, Middle East, Africa (EMEA)	1,735,842	1,520,996
Asia Pacific (APAC)	425,213	620,261
Total Sales	\$8,627,691	\$9,185,331

Net sales 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 three-months ended March 31, 2015 and 2014, sales in the United States for all reportable segments amounted to \$5,792,473 and \$6,618,899, respectively. For the three-months ended March 31, 2015, sales to Israel and Germany amounted to \$543,394 and \$466,844 of all the shipments to the EMEA region, respectively. For the three-months ended March 31, 2014, sales to Germany amounted to \$301,130 of all shipments to the EMEA region. Shipments to the APAC region were largely concentrated in China. For the three-months ended March 31, 2015 and 2014, sales in China of all reportable segments amounted to \$268,582 and \$267,529, respectively.

NOTE 9 - COMMITMENTS AND CONTINGENCIES***Warranties:***

The Company typically provides one-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. Historically, the Company's warranty expense has been minimal.

Leases:

On May 6, 2015, the Company and its landlord entered into a lease agreement, dated May 1, 2015 and retroactively effective to April 1, 2015, to remain at its principal corporate headquarters in Hanover Township, Parsippany, New Jersey through March 31, 2023. Monthly lease payments range from approximately \$33,000 in year one to approximately \$41,000 in year eight. Additionally, the Company received an allowance of approximately \$300,000 towards alterations and improvements to the premises. The lease can be renewed at the Company's option for one five-year period at fair market value to be determined at term expiration.

WIRELESS TELECOM GROUP, INC.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

NOTE 9 - COMMITMENTS AND CONTINGENCIES (Continued)

Environmental Contingencies:

In 1982, the Company and the New Jersey Department of Environmental Protection (the "NJDEP") agreed upon a plan to correct ground water contamination at a site, formally leased by Boonton, located in the township of Parsippany-Troy Hills, pursuant to which wells have been installed by the Company. The plan contemplates that the wells will be operated and that soil and water samples will be taken and analyzed until such time that contamination levels are satisfactory to the NJDEP. In 2014, the Company received approval for a groundwater permit from the NJDEP to carry out the final Remedial Action Work Plan and report. Under the final phase of the Remedial Action Work Plan, there will be limited and reduced monitoring and testing as long as concentrations at the site continue on a decreasing trend.

While management anticipates that the expenditures in connection with this site will not be substantial in future years, the Company could be subject to significant future liabilities and may incur significant future expenditures if further contaminants from Boonton's testing are identified and the NJDEP requires additional remediation activities. Management is unable to estimate future remediation costs, if any, at this time. The Company will continue to be liable under the plan, in all future years, until such time as the NJDEP releases it from all obligations applicable thereto.

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

Line of Credit:

The Company maintains a line of credit with a bank. The credit facility provides borrowing availability of up to 100% of the Company's money market account balance and 99% of the Company's short-term investment securities (U.S. Treasury bills) and, under the terms and conditions of the loan agreement, the facility is fully secured by the

Company's money fund account and short-term investment holdings held with the bank. Advances under the facility will bear interest at a variable rate equal to the London InterBank Offered Rate ("LIBOR") in effect at the time of borrowing. Additionally, under the terms and conditions of the loan agreement, there is no annual fee and any amount outstanding under the loan facility may be paid at any time in whole or in part without penalty. As of March 31, 2015, the Company had no borrowings outstanding under the facility and approximately \$4,500,000 of borrowing availability. The Company has no current plans to borrow from this credit facility as it believes its present cash balances will adequately meet near-term working capital requirements.

Risks and Uncertainties:

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.

FORWARD LOOKING STATEMENTS

The statements contained in this Quarterly Report on Form 10-Q that are not historical facts, including, without limitation, the statements under “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” are forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. Such forward-looking statements may be identified by, among other things, the use of forward-looking terminology such as “believes,” “expects,” “intends,” “plans,” “may,” “will,” “should,” “anticipates” or “continues” or the negative thereof or other thereon or comparable terminology, or by discussions of strategy that involve risks and uncertainties. These statements are based on the Company’s current expectations of future events and are subject to a number of risks and uncertainties that may cause the Company’s actual results to differ materially from those described in the forward-looking statements. These risks and uncertainties include, but are not limited to, the ability of our management to successfully implement our business plan and strategy, product demand and development of competitive technologies in our market sector, the impact of competitive products and pricing, the loss of any significant customers, our abilities to protect our property rights, the effects of adoption of newly announced accounting standards, the effects of economic conditions and trade, legal and other economic risks, among others. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or projected. These risks and uncertainties are disclosed from time to time in the Company’s filings with the Securities and Exchange Commission, the Company’s press releases and in oral statements made by or with the approval of authorized personnel of the Company. You should also consider carefully the statements in our Annual Report on Form 10-K for the year ended December 31, 2014, which address additional risks that could cause our actual results to differ from those set forth in any forward-looking statements. The Company’s forward-looking statements speak only as of the date of this Quarterly Report. The Company undertakes no obligation to publicly update or review any forward-looking statements whether as a result of new information, future developments or otherwise.

ITEM 2 - MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

INTRODUCTION

Wireless Telecom Group, Inc. and its operating subsidiaries (collectively, the “Company”), develop, manufacture and market a wide variety of electronic noise sources, electronic testing and measuring instruments including power meters, voltmeters and modulation meters and high-power passive microwave components for wireless products. The majority of the Company’s current business relates to its network solutions products, which are primarily used by its customers in relation to commercial infrastructure development in support of the expansion and upgrade to distributed antenna systems (“DAS”). In addition, the Company’s products are used to test the performance and capability of cellular/PCS and satellite communication systems and to measure the power of radiofrequency (RF) and microwave systems. Other applications include radio, radar, wireless local area network (WLAN) and digital television.

The operating businesses of the Company are segregated into two reportable segments: (1) network solutions and (2) test and measurement. The network solutions segment is comprised primarily of the operations of the Company’s

subsidiary, Microlab. The test and measurement segment is comprised primarily of the Company's operations (Noisecom) and the operations of its subsidiary, Boonton. Additional financial information on the Company's reportable segments as of March 31, 2015 and December 31, 2014, as well as for the three-months ended March 31, 2015 and 2014 is included in Note 8 to the Company's interim condensed consolidated financial statements set forth in this current report on Form 10-Q.

The financial information presented herein includes:

(i) Condensed Consolidated Balance Sheets as of March 31, 2015 (unaudited) and as of December 31, 2014; (ii) Condensed Consolidated Statements of Operations for the three-month periods ended March 31, 2015 (unaudited) and 2014 (unaudited); (iii) Condensed Consolidated Statements of Cash Flows for the three-month periods ended March 31, 2015 (unaudited) and 2014 (unaudited); and (iv) Condensed Consolidated Statement of Shareholders' Equity for the three-month period ended March 31, 2015 (unaudited).

CRITICAL ACCOUNTING POLICIES

Management's discussion and analysis of the financial condition and results of operations are based upon the Company's interim condensed consolidated financial statements, which were prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements required the Company to make estimates and judgments that affect the reported amounts of assets and liabilities (including inventory valuation, accounts receivable, valuation of deferred tax assets and estimated fair value of stock options) and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of net sales and expenses for each period.

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

On a regular basis, management evaluates its assumptions, judgments and estimates. Management believes that there have been no material changes to the items that the Company disclosed as its significant accounting policies and estimates under Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," in the Company's December 31, 2014 Form 10-K.

The following represents a summary of the Company's critical accounting policies, defined as those policies that the Company believes are: (a) the most important to the portrayal of its financial condition and results of operations, and (b) that require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effects of matters that are inherently uncertain.

Share-Based Compensation

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

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.

Revenue Recognition

Revenue from product shipments, including shipping and handling fees, is recognized once delivery has occurred provided that persuasive evidence of an arrangement exists, the price is fixed or determinable, and collectability is

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

Valuation of Inventory

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

Allowance 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, the Company's customers' payment history and aging of its accounts receivable balance. If the financial condition of any of the Company's customers were to decline, additional allowances might be required.

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

Income Taxes

The Company records deferred taxes in accordance with ASC 740, "Accounting for Income Taxes." This ASC requires recognition of deferred tax assets and liabilities for temporary differences between tax basis of assets and liabilities and the amounts at which they are carried in the financial statements, based upon the enacted rates in effect for the year in which the differences are expected to reverse. The Company establishes a valuation allowance when necessary to reduce deferred tax assets to the amount expected to be realized.

The Company periodically assesses the value of its deferred tax asset, a majority of which has been generated by a history of net operating losses and determines the necessity for a valuation allowance. The Company evaluates which portion, if any, will more likely than not be realized by offsetting future taxable income, taking into consideration any limitations that may exist on its use of its net operating loss carry-forwards.

Uncertain Tax Positions

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

The Company has analyzed its filing positions in all of the Federal and state jurisdictions where it is required to file income tax returns. As of March 31, 2015 and December 31, 2014, the Company has identified its U.S. Federal tax return and its state tax return in New Jersey as "major" tax jurisdictions, as defined, in which it is required to file income tax returns. Based on the evaluations noted above, the Company has concluded that there are no significant uncertain tax positions requiring recognition or disclosure in its condensed consolidated financial statements.

Based on a review of tax positions for all open years and contingencies as set out in the Company's notes to the condensed consolidated financial statements, no reserves for uncertain income tax positions have been recorded pursuant to ASC 740 during the periods ended March 31, 2015 and 2014, and the Company does not anticipate that it is reasonably possible that any material increase or decrease in its unrecognized tax benefits will occur within twelve months.

RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read in conjunction with our interim condensed consolidated financial statements and the notes to those statements included in Part I, Item I of this Quarterly Report on Form 10-Q and in conjunction with the consolidated financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2014.

For the three-months ended March 31, 2015 as compared to the corresponding period of the previous year, net consolidated sales decreased to approximately \$8,628,000 from approximately \$9,185,000, a decrease of approximately \$557,000 or 6.1%. The decrease was primarily the result of softening demand for the Company's network solutions products due to reductions in capital spending by the major domestic wireless carriers. While sales to wireless operators can fluctuate in the short-term, the Company expects demand for its products to continue throughout the broadband coverage and capacity expansion of the worldwide infrastructure.

Net sales of the Company's network solutions products for the three-months ended March 31, 2015 were approximately \$5,895,000 as compared to approximately \$6,390,000 for the three-months ended March 31, 2014, a decrease of approximately \$495,000 or 7.7%. Net sales of network solutions products accounted for approximately 68% and 70% of net consolidated sales for the three-month periods ended March 31, 2015 and 2014, respectively.

Net sales of the Company's test and measurement products for the three-months ended March 31, 2015 were approximately \$2,733,000 as compared to approximately \$2,795,000 for the three-months ended March 31, 2014, a decrease of approximately \$62,000 or 2.2%. Net sales of test and measurement products accounted for approximately 32% and 30% of net consolidated sales of the three-months periods ended March 31, 2015 and 2014, respectively. Sales of our test and measurement products decreased primarily due to lower sales to U.S. defense contractors during the period.

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

Gross profit on net consolidated sales for the three-months ended March 31, 2015 was approximately \$3,864,000 or 44.8% as compared to approximately \$4,266,000 or 46.4% of net consolidated sales for the three-months ended March 31, 2014.

Gross profit margins are lower for the three-months ended March 31, 2015 as compared to the same period of the previous year. Consolidated gross profit margins decreased due to lower sales for the three-months ended March 31, 2015 as compared to 2014, coupled with higher manufacturing labor costs in the Company's network solutions segment.

The Company's products consist of several models with varying degrees of capabilities which can be customized to meet particular customer requirements. They may be incorporated directly into the electronic equipment concerned or may be stand-alone components or devices that are connected to, or used in conjunction with, such equipment from an external site, in the factory or in the field. Prices of products range from approximately \$100 to \$100,000 per unit, with most sales occurring between approximately \$2,000 and \$35,000 per unit. The Company can experience variations in gross profit based upon the mix of these products sold as well as variations due to revenue volume and economies of scale. The Company will continue to rigidly monitor costs associated with material acquisition, manufacturing and production.

Consolidated operating expenses for the three-months ended March 31, 2015 were approximately \$3,525,000 or 41% of net consolidated sales as compared to approximately \$3,464,000 or 38% of net consolidated sales for the three-months ended March 31, 2014. Consolidated operating expenses were higher for the three-months ended March 31, 2015 due to an increase in research and development expenses of approximately \$155,000 and an increase in sales and marketing expenses of approximately \$78,000, offset by a decrease in consolidated general and administrative expenses of approximately \$173,000.

Consolidated research and development expenses increased for the three-months ended March 31, 2015 primarily due to costs associated with a product development project of approximately \$103,000 and an increase in salaries in our network solutions segment of approximately \$58,000. Consolidated sales and marketing expenses increased for the three-months ended March 31, 2015 primarily due to higher salary expenses of approximately \$96,000, partially offset by lower non-employee sales commission of approximately \$22,000. The decrease in consolidated general and administrative expenses for the three-months ended March 31, 2015 was primarily due to lower variable compensation expense of approximately \$125,000 and lower corporate legal and consulting fees of approximately \$96,000.

Other (income) expenses decreased by approximately \$34,000 for the three-months ended March 31, 2015, as compared to the corresponding period of the previous year. The decrease is primarily due to costs of approximately

\$30,000 recorded during the three-months ended March 31, 2014 associated with the Company's ground water management plan.

For the three-months ended March 31, 2015 and 2014, the Company recorded tax expense of approximately \$148,000 and \$332,000, respectively. The tax expense is lower for the three-months ended March 31, 2015 as compared to the same period of the previous year due to a lower amount of income generated from the Company's operations. The tax expense recorded is predominantly comprised of a non-cash deferred tax expense for Federal income taxes and a current provision for state income taxes for which the Company makes estimated tax payments on a quarterly basis.

For the three-months ended March 31, 2015, the Company realized net income of approximately \$194,000 or \$0.01 income per share on a basic and diluted basis, as compared to net income of approximately \$440,000 or \$0.02 income per share on a basic and diluted basis for the corresponding period of the previous year, a decrease of approximately \$246,000. The decreases were primarily due to the factors discussed above.

LIQUIDITY AND CAPITAL RESOURCES

The Company's working capital has decreased by approximately \$223,000 to approximately \$24,383,000 at March 31, 2015, from approximately \$24,606,000 at December 31, 2014. At March 31, 2015 and December 31, 2014, the Company had a current ratio of 9.0 to 1 and 10.4 to 1, respectively.

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

The Company had cash and cash equivalents of approximately \$10,705,000 at March 31, 2015, compared to approximately \$10,724,000 at December 31, 2014. The Company believes its current level of cash and cash equivalents is sufficient to fund the current operating, investing and financing activities.

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

The Company realized cash from operating activities of approximately \$277,000 for the three-month period ending March 31, 2015. The primary source of this cash was due to net income from operations for the three-month period, a decrease in prepaid expenses and other assets and an increase in accounts payable, accrued expenses and other current liabilities, partially offset by an increase in accounts receivable and inventories.

The Company realized cash from operating activities of approximately \$92,000 for the three-month period ending March 31, 2014. The primary source of this cash was due to net income from operations for the three-month period, an increase in accounts payable, accrued expenses and other current liabilities, a decrease in inventories and a decrease in prepaid expenses and other assets, partially offset by an increase in accounts receivable.

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

Net cash used for investing activities for the three-months ended March 31, 2015 and 2014 was approximately \$247,000 and \$100,000, respectively. The use of these funds was for capital expenditures.

Cash used for financing activities for the three-months ended March 31, 2015 and 2014 was approximately \$48,000 and \$30,000, respectively. The use of these funds was for periodic payments on an equipment lease.

The Company maintains a line of credit with its investment bank. The credit facility provides borrowing availability of up to 100% of the Company's money market account balance and 99% of the Company's short-term investment securities (U.S. Treasury bills) and, under the terms and conditions of the loan agreement, the facility is fully secured

by our money fund account and short-term investment holdings held with the bank. Advances under the facility will bear interest at a variable rate equal to LIBOR in effect at time of borrowing. Additionally, there is no annual fee and any amount outstanding under the loan facility may be paid at any time in whole or in part without penalty. As of March 31, 2015, the Company had no borrowings outstanding under the facility and approximately \$4,500,000 of borrowing availability.

The Company may pursue strategic opportunities, including potential acquisitions, mergers, divestitures or other activities, which may require significant use of the Company's capital resources. The Company may incur costs as a result of such activities and such activities may affect the Company's liquidity in future periods.

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

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

INFLATION AND SEASONALITY

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

ITEM 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4 - 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 Exchange Act of 1934, as amended. Our disclosure controls and procedures are designed to provide reasonable assurance that the information required to be included in our Securities and Exchange Commission (“SEC”) reports is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and that the information relating to Wireless Telecom Group, Inc., including our consolidated subsidiaries, is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure. 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) Changes in Internal Controls over Financial Reporting

In connection with the evaluation required by paragraph (d) of Rule 13a-15 under the Securities Exchange Act of 1934, as amended, there was no change identified in our internal control over financial reporting that occurred as of the end of the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

There have been no material developments in the legal proceedings described in Item 3 of the Company's Annual Report on Form 10-K for the year ended December 31, 2014.

Item 1A. RISK FACTORS

There have been no material changes in our risk factors disclosed in our Annual Report on Form 10-K for the year ended December 31, 2014.

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

During the period covered by this report, we have not issued unregistered securities.

Item 3. DEFAULTS UPON SENIOR SECURITIES

None.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

Item 5. OTHER INFORMATION

None.

Item 6. EXHIBITS

Exhibit No.	Description
3.1	Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to our Annual Report on Form 10-K/A filed with the SEC on April 22, 2005)
3.2	Amended and Restated By-Laws (incorporated by reference from Exhibit 3.1 to the Company's Current Report on Form 8-K, dated October 12, 2012, and filed on October 15, 2012)
10.1†	Officer Incentive Compensation Plan, dated April 22, 2015
31.1*	Certification Pursuant to Section 302 of The Sarbanes-Oxley Act of 2002 (Principal Executive Officer)
31.2*	Certification Pursuant to Section 302 of The Sarbanes-Oxley Act of 2002 (Principal Financial Officer)
32.1*	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of The Sarbanes-Oxley Act of 2002 (Principal Executive Officer)
32.2*	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of The Sarbanes-Oxley Act of 2002 (Principal Financial Officer)
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The following financial statements from Wireless Telecom Group, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2015, filed on May 13, 2015, formatted in Extensible Business Reporting Language (XBRL): (i) condensed consolidated balance sheets, (ii) condensed consolidated statements of operations, (iii) condensed consolidated statements of cash flows, (iv) condensed consolidated statement of shareholders' equity, and (v) the notes to interim condensed consolidated financial statements.

101.INS** XBRL INSTANCE DOCUMENT

101.SCH** XBRL TAXONOMY EXTENSION SCHEMA DOCUMENT

101.CAL** XBRL TAXONOMY EXTENSION CALCULATION LINKBASE DOCUMENT

101.DEF** XBRL TAXONOMY EXTENSION DEFINITION LINKBASE DOCUMENT

101.LAB** XBRL TAXONOMY EXTENSION LABEL LINKBASE DOCUMENT

101.PRE** XBRL TAXONOMY EXTENSION PRESENTATION LINKBASE DOCUMENT

*Filed herewith.

** Furnished herewith.

†Management contract or compensatory plan or arrangement.

SIGNATURES

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

WIRELESS TELECOM
GROUP, INC.
(Registrant)

Date: May 13, 2015 /s/ Paul Genova
Paul Genova
Chief Executive Officer

Date: May 13, 2015 /s/ Robert Censullo
Robert Censullo
Chief Financial Officer

EXHIBIT LIST

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