

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

**FORM 10-K**

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

For the fiscal year ended December 31, 2021

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-11916

**WIRELESS TELECOM GROUP, INC.**

(Exact name of registrant as specified in its charter)

New Jersey

(State or other jurisdiction of  
incorporation or organization)

22-2582295

(I.R.S. Employer  
Identification No.)

25 Eastmans Road,  
Parsippany, New Jersey

(Address of principal executive offices)

07054

(Zip Code)

(Registrant's Telephone Number, Including Area Code) 973-386-9696

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, par value \$.01 per share	WTT	NYSE American

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

none  
(Title of Class)

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

Yes ☐ No ☒

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

Yes ☒ No ☐

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☒ No ☐

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

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

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☒

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standard provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

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

The aggregate market value of the registrants' Common Stock, \$.01 par value, held by non-affiliates and computed by reference to the closing price as reported by NYSE American on June 30, 2021: \$69,130,053. As of March 6, 2022, there were 22,666,074 shares of the Company's common stock (\$.01 par value) outstanding.

#### **DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Registrant's Proxy Statement relating to the 2021 Annual Meeting of Stockholders (the "2021 Proxy Statement") are incorporated by reference into Part III of this Annual Report on Form 10-K.

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## 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](http://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](http://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.

## **Item 1A. Risk Factors**

### ***Pandemic-Related Risks***

**The COVID-19 pandemic could materially adversely affect our financial condition, future plans and results of operations.**

The COVID-19 pandemic has had a significant adverse effect on the economy in the United States and globally and on most businesses. The Company is not able to predict the ultimate impact that COVID -19 will have on its business; however, if the pandemic and government action in response thereto impose limitations on operations of our customers or suppliers or result in a prolonged supply-chain constraints, labor shortages, economic recession or depression, the Company’s development and implementation of its strategic plan, as well as our ability to generate material revenue therefrom, could be hindered, which would have a material negative impact on the Company’s financial condition and results of operations. While vaccinations beginning in 2021 allowed for economic recovery, recent and evolving variants of the virus, as well as reduced efficacy of vaccines over time and the possibility that a large number of people decline to get vaccinated or receive booster shots, creates inherent uncertainty as to the potential future impact of the pandemic on our business, our industry and the economy in general.

### ***Strategic Risks***

**The Microlab business has historically accounted for a substantial portion of our revenue. Subsequent to the divestiture of Microlab on March 1, 2022, we are entirely dependent on our remaining business units.**

The Microlab business accounted for 36.1% and 42.3% of our consolidated revenues for the years ended December 31, 2021 and 2020, respectively. Effective March 1, 2022, we sold Microlab and will no longer benefit from its performance and are entirely dependent upon the Boonton, Holzworth and Noisecom brands within our test and measurement product group, and the CommAgility brand within our radio, baseband, and software product group. Although we expect the revenue generated from our remaining businesses to grow in the future, our business will be substantially different following the sale of Microlab, and there can be no assurance that we will achieve sustained growth, achieve or sustain profitability, or generate positive cash flows from the test and measurement and radio, baseband and software product groups, or in new products or business opportunities we may pursue.

**We depend on the deployment of 4G LTE and 5G NR private networks and specialized applications in wireless baseband and related services to grow our business, and our business may be harmed if our customers are unsuccessful in the deployment of such technology and applications or if they deploy technologies that are not supported by our solutions.**

We depend on the deployment of 4G LTE and 5G NR wireless private networks and specialized applications in wireless baseband which are supported by our CommAgility software licenses and services. Deployment of private networks in support of industrial internet of things (“IOT”) networks, non-terrestrial communications, transportation networks and air to ground networks requires significant capital expenditure by customers. If new deployments of these specialized technologies are delayed because of a lack of capital or other issues, or if we are unsuccessful in winning new projects for deployment of 4G LTE and 5G NR private networks, our financial results could be adversely affected.

**Our future success depends on our ability to anticipate and to adapt to technological changes and to develop, implement and market product innovations.**

Many of our markets are characterized by advances in information processing and communications capabilities that require increased transmission speeds and greater bandwidth. These advances require ongoing improvements in the capabilities of our products. However, we may not be successful in our ongoing improvement efforts if, among other things, our products:

- are not cost effective;
- are not brought to market in a timely manner;
- are not in accordance with evolving industry standards; or
- fail to achieve market acceptance or meet customer requirements.

There are various competitive wireless technologies that could be a substitute for the products we sell. The failure to successfully introduce new or enhanced products on a timely and cost-competitive basis or the inability to continue to market existing products on a cost-competitive basis could have a material adverse effect on our results of operations and financial condition. In addition, revenues from new products may replace revenues from some of our existing products, mitigating the benefits of new product introductions and possibly resulting in excess levels of inventory.

Furthermore, we must make long-term investments and commit significant resources before knowing whether our investments will eventually result in products that the market will accept. We must accurately forecast volumes, mix of products and configurations that meet customer requirements, and we may not succeed. If we do not succeed, we may be left with inventories of obsolete products or we may not have enough of some products available to meet customer demand, which could lead to reduced revenues and higher expenses.

**Our business is dependent on capital spending on data and communication networks by customers or end users of our products, and reductions in such capital spending could adversely affect our business.**

Our performance is dependent on customers’ or end users’ capital spending for constructing, rebuilding, maintaining or upgrading data and communication networks, which can be volatile or hard to forecast. Capital spending in the communications industry is cyclical and can be curtailed or deferred on short notice. A variety of factors affect the amount of capital spending, and therefore, our revenues and profits, including:

- competing technologies;
- timing and adoption of global rollout of new technologies, including LTE/5G;
- customer specific financial or market conditions;
- governmental budget levels and regulation;
- demand for network services; and
- acceptance of new services offered by our customers.

Our customers or the end users of our products may not purchase new equipment at levels we have seen in the past or expect in the future. Accordingly, we may not be able to maintain or increase our revenue in the future, and our business, financial condition, results of operations and cash flows could be materially adversely affected.

**The cyclical nature of our end-user markets could harm our financial results.**

Many of the end markets we serve, including but not limited to the commercial wireless market, have historically been cyclical and have experienced periodic downturns. The factors leading to and the severity and length of a downturn are very difficult to predict and there can be no assurance that we will appropriately anticipate changes in the underlying end markets we serve or that any increased levels of business activity will continue as a trend into the future. If we fail to anticipate changes in the end markets we serve, our business, results of operations and financial condition could be materially adversely affected.

**Our industry is highly competitive and if we are not able to successfully compete, we could lose market share and our revenues could decline.**

We operate in industries characterized by aggressive competition, rapid technological change, evolving technology standards and short product life cycles. Current and prospective customers for our products evaluate our capabilities against the merits of our direct competitors. We compete primarily on the basis of technology and performance.

We also compete on price. Our competitors may introduce products that are competitively priced, have increased performance or functionality or incorporate technological advances that we have not yet developed or implemented.

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

Many of our competitors are substantially larger than we are, and have greater financial, technical, marketing and other resources than we have. Many of these large enterprises are in a better position to withstand any significant reduction in capital spending by customers in our markets. They often have broader product lines and market focus and may not be as susceptible to downturns in a single market. These competitors may also be able to bundle their products together to meet the needs of a particular customer and may be capable of delivering more complete solutions than we are able to provide. To the extent large enterprises that currently do not compete directly with us choose to enter our markets by acquisition or otherwise, competition would likely intensify.

**We are exposed to risks associated with acquisitions and investments which could cause us to incur unanticipated costs and liabilities and harm our business and results of operations.**

On February 7, 2020 we acquired Holzworth Instrumentation, Inc., a company based in Denver, Colorado. Additionally, in the future we may make acquisitions of, or significant investments in, businesses with complementary products, services and/or technologies. The Holzworth acquisition and future acquisitions and investments involve numerous risks, including, but not limited to:

- difficulties and increased costs in connection with integration of the personnel, operations, technologies and products of acquired businesses;
- diversion of management's attention from other operational matters;
- the potential loss of key employees of acquired businesses;
- lack of synergy, or the inability to realize expected synergies, resulting from the acquisition;
- implementation or remediation of controls, procedures and policies of the acquired company;
- failure to commercialize purchased technology;
- liability for activities of the acquired company prior to the acquisition, including violations of law, commercial disputes, escheat and tax and other known and unknown liabilities; and
- the impairment of acquired intangible assets and goodwill that could result in significant charges to operating results in future periods.

If we are unable to address these difficulties and challenges or other problems encountered in connection with any future acquisition or investment, we might not realize the anticipated benefits of that acquisition or investment and we could incur unanticipated costs, liabilities or otherwise suffer harm to our business generally. The difficulties and challenges of successful integration of any acquired company are increased when the integration involves companies with operations or material vendors outside the United States.

To the extent that we pay the consideration for any future acquisitions or investments in cash or any potential cash earn outs, it has reduced and may in the future reduce the amount of cash available to us for other purposes. Such payments also may increase our cash flow and liquidity risk. Future acquisitions or investments could also result in dilutive issuances of our equity securities or the incurrence of debt, contingent liabilities, amortization expenses or impairment charges against goodwill or intangible assets on our balance sheet, any of which could have a material adverse effect on our business, results of operations and financial condition.



## **Operational Risks**

### **Shortages or delays of supplies for component parts could adversely affect our operating results until alternate sources can be developed.**

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

### **The loss of key personnel could adversely affect our ability to remain competitive; our development of new and upgraded products could be adversely impacted by our inability to hire or retain personnel with appropriate technical abilities.**

We believe that the continued service of our executive officers will be important to our future growth and competitiveness. However, other than the employment agreements we entered into with our named executive officers, Timothy Whelan, Mike Kandell, Alfred Rodriguez and Dan Monopoli, we currently do not have any other employment agreements with our management team. We cannot provide assurance that any key members of our management team will remain employed by us.

Additionally, the design and manufacture of our products require substantial technical capabilities in many disparate disciplines, from engineering, software programming, mechanics and computer science to electronics and mathematics. In the last 12 months we have lost several key engineering resources. We believe that the continued employment of key members of our technical and sales staffs will be important to us but, as with our management team, we cannot assure you that they will remain employed by us.

Furthermore, our ability to research and develop new technologies and products, or upgraded versions of existing products, will depend, in part, on our ability to hire personnel with knowledge and skills that our current personnel do not have. If we are unable to hire or retain such qualified personnel, our revenues could be negatively impacted, and our business could suffer.

### **Our future research and development projects might not be successful.**

The successful development of telecommunications products can be affected by many factors. Products that appear to be promising at their early phases of research and development may fail to be commercialized for various reasons, including the failure to obtain the necessary regulatory approvals. There is no assurance that any of our future research and development projects will be successful or completed within the anticipated timeframe or budget or that we will receive the necessary approvals from relevant authorities, customers, or prospective customers, for the production of these newly developed products, or that these newly developed products will achieve commercial success. Even if such products can be successfully commercialized, they may not achieve the level of market acceptance that we expect.

### **Dependence on contract manufacturing and outsourcing other portions of our supply chain might adversely affect our ability to bring products to market and could damage our reputation.**

As part of our efforts to streamline operations and to minimize costs, we outsource aspects of our manufacturing processes and other functions and continue to evaluate additional outsourcing. If our contract manufacturers or other outsourcers fail to perform their obligations in a timely manner or at satisfactory quality levels, our ability to bring products to market and our reputation could suffer. For example, during a market upturn, our contract manufacturers might be unable to meet our demand requirements, which could preclude us from fulfilling our customers' orders on a timely basis. The ability of these manufacturers to perform is largely outside of our control. Additionally, changing or replacing our contract manufacturers or other outsourcers could cause disruptions or delays.

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

The failure of our products to perform as promised could result in increased costs, lower margins and harm to our reputation. We may not be able to anticipate all of the possible performance or reliability problems that could arise with our existing or new products, which could result in significant product liability or warranty claims. In addition, any defects found in our products could result in a loss of revenues or market share, failure to achieve market acceptance, injury to our reputation, indemnification claims, litigation, increased insurance costs and increased service costs, any of which could discourage customers from purchasing our products and materially harm our business.

## **Our business and operations could suffer in the event of security breaches.**

Attempts by others to gain unauthorized access to information technology systems are becoming more sophisticated and are sometimes successful. These attempts, which might be related to industrial or other espionage, include covertly introducing malware to our computers and networks and impersonating authorized users, among others. We seek to detect and investigate all security incidents and to prevent their recurrence, but in some cases, we might be unaware of an incident or its magnitude and effects. The theft, unauthorized use or publication of our intellectual property and/or confidential business information could harm our competitive position, reduce the value of our investment in research and development and other strategic initiatives or otherwise adversely affect our business. To the extent that any security breach results in inappropriate disclosure of our customers' or licensees' confidential information, we may incur liability as a result. In addition, we might be required to devote significant additional resources to the security of our information technology systems.

## **We rely on our information technology systems to manage numerous aspects of our business and a disruption of these systems could adversely affect our business.**

Our information technology, or IT, systems are an integral part of our business. We depend on our IT systems for scheduling, sales order entry, purchasing, materials management, accounting, and production functions. Our IT systems also allow us to ship products to our customers on a timely basis, maintain cost-effective operations and provide a high level of customer service. Some of our systems are not fully redundant, and our disaster recovery planning does not account for all eventualities. A serious disruption to our IT systems could significantly limit our ability to manage and operate our business efficiently, which in turn could have a material adverse effect on our business, results of operations and financial condition.

## **We rely on manufacturers' representatives to sell our products to key large accounts and the loss of a key manufacturer's representative could have a material impact on our revenues**

Our products are sold through a small in-house direct sales force as well as a network of industry specific manufacturers' representatives that have established relationships with our largest customers. Our arrangements with our manufacturers' representatives generally can be canceled by either party with advance written notice. The loss of a manufacturer's representative could result in a material decline in revenues.

## ***Financial Risks***

### **Rising inflation may negatively impact our profit margins**

Although the rate of inflation has been low in recent years, we are currently experiencing a significant rise in inflation. An inflationary environment can increase the cost of products we purchase as well as our labor and transportation costs. However, economic conditions and market factors may make it difficult for us to raise our prices enough to keep up with the rate of inflation which could reduce our profit margins or reduce the number of customers who purchase our products. If the current inflationary environment continues or worsens, we may not be able to adjust the pricing we charge for our products to offset increasing product costs, which would adversely impact our results of operations and cash flows.

### **We incur significant costs as a result of operating as a public company, and our management devotes substantial time to compliance initiatives.**

We have incurred and will continue to incur significant legal, accounting and other expenses as a public company, including costs resulting from public company reporting obligations under the Exchange Act and regulations regarding corporate governance practices. The listing requirements of the NYSE American require that we satisfy certain corporate governance requirements relating to director independence, distributing annual and interim reports, stockholder meetings, stockholder approvals and voting, and soliciting proxies. Our management and other personnel will need to devote a substantial amount of time to ensuring compliance with all of these requirements.

**Our results of operations could be affected by changes in tax-related matters.**

A number of factors could cause our tax rate to increase, including a change in the jurisdictions in which our profits are earned and taxed; a change in the mix of profits from those jurisdictions; changes in available tax credits; changes in applicable tax rates; changes in accounting principles. We have deferred tax assets on our balance sheet. Changes in applicable tax laws and regulations or in our business performance could affect our ability to realize those deferred tax assets, which could also affect our results of operations.

**Our stock price is volatile and the trading volume in our common stock is less than that of other larger companies in the wireless and advanced communications industries.**

The market price of our common stock has experienced significant volatility and may continue to be subject to rapid swings in the future. From January 1, 2015 to February 3, 2022, the trading prices of our stock have ranged from \$0.71 to \$4.07 per share. There are several factors which could affect the price of our common stock unrelated to our financial performance, including announcements of technological innovations for new commercial products by us or our competitors, developments concerning propriety rights, new or revised governmental regulation or general conditions in the market or for our products, and the entrance of additional competitors into our markets.

Although our common stock is listed for trading on the NYSE American, the trading volume in our common stock is less than that of other, larger companies in the wireless and advanced communications industries. Traditionally, the trading volume of our common stock has been limited. For example, for the 90 trading days ending on February 15, 2022, the average daily trading volume was approximately 68,000 shares per day and ranged from between 2,300 shares per day and approximately 2.3 million shares per day. Furthermore, we only have 22,666,074 shares of common stock outstanding as of the date of this report. A public trading market having the desired characteristics of depth, liquidity and orderliness depends on the presence in the marketplace of willing buyers and sellers of our common stock at any given time. Because of our limited trading volume, holders of our common stock may not be able to sell quickly any significant number of shares, and any attempted sales of a large number of our shares will likely have a material adverse impact on the price of our common stock.

**If securities or industry analysts do not publish research or reports about our business or if they issue an adverse or misleading opinion regarding our stock, our stock price and trading volume could decline.**

The trading market for our common stock might be influenced by the research and reports that industry or securities analysts publish about us or our business. If any analysts issue an adverse or misleading opinion regarding us, our business model, products or stock performance, our stock price could decline.

***Legal and Regulatory Risks***

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

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

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

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



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

The Company's operations are subject to various federal, state, local, and foreign 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.

**Certain of our products and our business are subject to ITAR, Export Administration Regulations, Foreign Corrupt Practices Act and other U.S. and foreign government laws, regulations, policies and practices, and our failure to comply with such regulations could adversely affect our business, results of operations and financial condition.**

Our international revenues, for which we also use foreign representatives and consultants, are subject to U.S. laws, regulations and policies, including the ITAR and the U.S. Foreign Corrupt Practices Act, or the FCPA, and other export laws and regulations, as well as foreign government laws, regulations and procurement policies and practices which may differ from the U.S. government regulations in this regard.

Compliance with the directives of the U.S. Department of State may result in substantial legal and other expenses and the diversion of management time. In the event that a determination is made that we or any entity we have acquired has violated the ITAR with respect to any matters, we may be subject to substantial monetary penalties that we are unable to quantify at this time, and/or suspension or revocation of our export privileges and criminal sanctions, which may have a material adverse effect on our business, results of operations and financial condition.

We can give no assurance that under either the ITAR or the EAR we will continue to be successful in obtaining the necessary licenses and authorizations or that certain revenues will not be prevented or delayed due to compliance issues related to the ITAR or the EAR.

We are also subject to, and must comply with, the FCPA and similar world-wide anti-corruption laws, including the U.K. Bribery Act of 2010. These acts generally prohibit both us and our third party intermediaries from making improper payments to foreign officials for the purpose of acquiring or retaining business or otherwise obtaining favorable treatment. We are required as well to maintain adequate record-keeping and internal accounting practices to fully and accurately reflect our transactions. We operate in many parts of the world that have experienced government corruption. In certain circumstances, the FCPA and our programs and policies may conflict with local customs and practices. If we or any of our local intermediaries have failed to comply with the requirements of the FCPA, governmental authorities in the United States could seek to impose severe criminal and civil penalties. The assertion of violations of the FCPA or other anti-corruption laws could disrupt our business and have a material adverse effect on our results of operations and financial condition.

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

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

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

The industries in which our company operates are characterized by the existence of a large number of patents and frequent litigation based on allegations of patent infringement. From time to time, third parties may assert patent, copyright, trademark and other intellectual property rights to technologies in various jurisdictions that are important to our business. Defending claims, including claims without merit, requires allocation of resources, including personnel and capital, which could adversely impact our results of operations. A successful claim of infringement against us could result in our being required to pay significant damages, enter into costly license agreements, or stop the sale of certain products, which could adversely affect our net revenues, gross margins and expenses and harm our future prospects.

**We use specialized technologies and know-how to design, develop and manufacture our products. Our inability to protect our intellectual property could hurt our competitive position, harm our reputation and adversely affect our results of operations.**

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

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

- the proprietary nature or protection of our methodologies is not recognized in the United States or foreign countries;
- third parties misappropriate our proprietary methodologies and such misappropriation is not detected; and
- competitors create applications similar to ours but which do not technically infringe on our legally protected rights.

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

**Environmental and other disasters, such as flooding, large earthquakes, hurricanes, volcanic eruptions or nuclear or other disasters, or a combination thereof, may negatively impact our business.**

Although we manufacture our products in New Jersey and Colorado, we both source and ship our products globally. Environmental and other disasters could cause disruption to our supply chain or impede our ability to ship product to certain regions of the world. There can be no assurance that environmental and/or other such natural disasters will not have an adverse impact on our business in the future.

**New Jersey corporate law may delay or prevent a transaction that stockholders would view as favorable.**

We are subject to the New Jersey Shareholders' Protection Act (the "Act"), which could delay or prevent a change of control of us. In general, the Act prevents a shareholder owning 10% or more of a New Jersey public corporation's outstanding voting stock from engaging in business combinations with that corporation for five years following the date the shareholder acquired 10% or more of the corporation's outstanding voting stock, unless board approval is obtained prior to the time that the shareholder reaches the 10% threshold.

**Failure to maintain effective internal controls in accordance with Sarbanes-Oxley could have a material adverse effect on our business and common stock price.**

As a public company with SEC reporting obligations, we are required to document and test our internal control procedures to satisfy the requirements of Section 404(a) of Sarbanes-Oxley, which require annual assessments by management of the effectiveness of our internal control over financial reporting. As a smaller reporting company, we are exempt from the auditor attestation requirement of Section 404(b) of Sarbanes-Oxley.

During the course of our assessment, we may identify deficiencies that we are unable to remediate in a timely manner. Testing and maintaining our internal control over financial reporting may also divert management's attention from other matters that are important to the operation of our business. We may not be able to conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with Section 404(a) of Sarbanes-Oxley. If we conclude that our internal control over financial reporting is not effective, we cannot be certain as to the timing of completion of our evaluation, testing and remediation actions or its effect on our operations. Moreover, any material weaknesses or significant deficiencies in our internal control over financial reporting may impede our ability to file timely and accurate reports with the SEC. Any of the above could cause investors to lose confidence in our reported financial information or our common stock listing on the NYSE American exchange to be suspended or terminated, which could have a negative effect on the trading price of our common stock.

**The Company is subject to compliance with the policies and procedures of the NYSE American Exchange with respect to continued listing on the stock exchange and our failure to maintain our listing would make trades in our securities difficult for shareholders.**

In considering whether a security warrants continued trading and/or listing on the NYSE American Exchange, many factors are taken into account, such as the degree of investor interest in the company, its prospects for growth, the reputation of its management, the degree of commercial acceptance of its products, and whether its securities have suitable characteristics for auction market trading. Thus, any developments which substantially reduce the size of a company, the nature and scope of its operations, the value or amount of its securities available for the market, or the number of holders of its securities, might occasion a review of continued listing by the Exchange. Moreover, events such as the sale, destruction, loss or abandonment of a substantial portion of a company's business, the inability to continue its business, steps towards liquidation, or repurchase or redemption of its securities, may also give rise to such a review. The loss of our listing on the Exchange could have a material adverse effect on our shareholders' ability to sell our shares or for others to purchase our shares. This could have an adverse effect on the market price of our stock.

### ***International Risks***

**The conflict between Russia and Ukraine, and related sanctions could negatively impact us.**

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 business could be negatively impacted by such 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.

**Our operating results may suffer because of our exposure to foreign currency exchange rate fluctuations.**

Substantially all of our sales contracts with our U.S. and international based customers provide for payment in U.S. dollars. A strengthening of the U.S. dollar relative to other foreign currencies could increase the effective cost of our products to our international customers as their functional currency is typically not the U.S. dollar. This could have a potential adverse effect on our ability to increase or maintain average selling prices of our products to our foreign-based customers.

Our future revenue and expenses may be subject to volatility due to exchange rate fluctuations that could result in foreign exchange gains and losses associated with foreign currency transactions and the translation of assets and liabilities denominated in foreign currencies.

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

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

- economic conditions in European and Asian markets, including the impact of recessions in European and Asian economies and fluctuations in the relative values of the U.S. dollar, the Euro and Asian currencies;
- taxes and fees imposed by European and Asian governments that may increase the cost of products and services;
- greater difficulty in accounts receivable collection and longer collection periods;
- seasonal reductions in business activities in some parts of the world;
- laws and regulations imposed by individual countries and by the European Union, particularly with respect to intellectual property, license requirements and environmental requirements; and
- political and economic instability, terrorism and war.

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

**The uncertainty surrounding the implementation and effect of Brexit may cause increased economic volatility, affecting our operations and business.**

In June 2016, a majority of voters in the United Kingdom (“U.K.”) elected to withdraw from the European Union (E.U.) in a national referendum (also referred to as “Brexit”). CommAgility is located in the U.K. Although the U.K. and E.U. entered into a trade and cooperation agreement, the political and economic instability created by Brexit may cause significant volatility in global financial markets in the future.

The volatility in financial markets due to Brexit could potentially disrupt the markets we serve and may cause us to lose customers, suppliers and employees. Additionally, disruptions and uncertainty caused by Brexit may cause our customers to closely monitor their costs and reduce their spending budget on our products and services. Any of these effects of Brexit, among others, could adversely affect our business, financial condition or future results.

**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 or 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.

**Item 1B. Unresolved Staff Comments**

None.

**Item 2. Properties**

We currently lease our corporate headquarters located in Hanover Township, Parsippany, New Jersey which also serves as a manufacturing plant for our Noisecom and Boonton brands. We also lease office space in Leicestershire, England and Duisberg, Germany for the CommAgility operations and office and manufacturing space in Boulder, Colorado for our Holzworth brand. The table below shows a summary of the square footage of these locations as of December 31, 2021:

	Leased
Parsippany NJ (corporate headquarters)	45,700
Leicestershire, UK	3,045
Duisberg, DE	7,446
Boulder, CO	6,647

The Company believes its properties are suitable and adequate for its current purposes.

Effective with the Microlab divestiture on March 1, 2022, 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.

**Item 3. Legal Proceedings**

None

**Item 4. Mine Safety Disclosures**

Not applicable.

## 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	<u>\$ 49,245</u>	<u>\$ 41,748</u>	<u>100.0%</u>	<u>100.0%</u>	<u>\$ 7,497</u>	<u>18.0%</u>

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	<u>\$ 25,087</u>	<u>\$ 20,967</u>	<u>50.9%</u>	<u>50.2%</u>	<u>\$ 4,120</u>	<u>19.6%</u>

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	<u>\$ 25,232</u>	<u>\$ 29,066</u>	<u>51.2%</u>	<u>69.6%</u>	<u>(3,834)</u>	<u>-13.2%</u>

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	-	-	-	-
	<u>\$ 15,135</u>	<u>\$ 9,846</u>	<u>\$ 523</u>	<u>\$ 406</u>	<u>\$ 4,179</u>	<u>\$ 181</u>

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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## **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

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**Wireless Telecom Group, Inc.**

**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. and subsidiaries (the “Company”) as of December 31, 2021 and 2020, the related consolidated statements of operations, comprehensive income (loss), changes in shareholders’ equity and cash flows for each of the two years in the period ended December 31, 2021, 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, 2021 and 2020, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2021, 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) relate 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 7 to the consolidated financial statements, the Company's balance of goodwill, net as of December 31, 2021 was \$11.5 million. Management evaluates goodwill, at the reporting unit level, for impairment annually during the fourth quarter of its reporting period, or more frequently, if events occur or circumstances change which would indicate that goodwill might be impaired. As a result of the Company's qualitative evaluation of goodwill, the Holzworth and Microlab reporting units did not indicate any impairment of goodwill. As a result of the factors identified in Note 1, the Company performed a quantitative impairment test of the goodwill of one of the Company's reporting units, CommAgility as of October 1, 2021. Fair value of the reporting unit was estimated using a combination of the income approach and the market approach methods. The Company used a discounted cash flow model for the income approach method and the guideline public company method for the market approach 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 any goodwill impairment, or both. As a result of the quantitative impairment assessment discussed above, the Company determined the excess of fair value above its carrying value was approximately 25% of the fair value at the measurement date.

The principal considerations for our determination that performing procedures relating to the impairment assessment of the CommAgility reporting unit is a critical audit matter are (i) the significant judgments by management when developing the fair value measurements 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.

Addressing the matter involved performing procedures related to, among others, management's evaluation of impairment including (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 the reasonableness of 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 evaluated the experience, qualifications and objectivity of management's third-party expert and 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.

## *Valuation Allowance on State Net Operating Loss Carryforwards*

As described in Note 14 to the consolidated financial statements, as of December 31, 2021, the Company has \$5.6 million of total deferred tax assets, including \$3.5 million for State net operating loss carryforwards. The deferred tax assets for State net operating loss carryforwards is partially offset by a valuation allowance of \$2.1 million. As disclosed by management, 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 utilization of net operating losses. In determining whether a valuation allowance is warranted, management evaluates factors such as prior earnings history, expected future earnings, carryback and carryforward periods, and tax strategies that could potentially impact the likelihood of realization of a deferred tax asset. After evaluating the sale of Microlab FXR/LLC, as well as other opportunities that may be available that will impact the utilization of the Company's State net operating loss carryforwards, management expects to be able to realize some, but not all, of the State net operating loss carryforwards.

The principal considerations for our determination that performing procedures relating to the valuation allowance on State net operating loss carryforwards is a critical audit matter include the significant judgments by management when assessing factors related to expected future earnings, which in turn led to a high degree of auditor judgment, subjectivity, and audit effort in performing procedures and evaluating management's significant assumptions related to expected future earnings.

Addressing the matter involved performing procedures related to, among others, evaluating management's assessment of the realizability of the deferred tax assets, including (i) testing the underlying data used by the Company in its analysis and (ii) evaluating the reasonableness of expected future earnings during the applicable periods. Evaluating the reasonableness of management's estimates and assumptions related to expected future earnings involved evaluating whether the estimates and assumptions used by management were reasonable considering (i) the current and past performance of the Company as filed in historical state income tax returns, (ii) expected future events that could impact state apportionment of income in future periods and (iii) whether these assumptions were consistent with evidence obtained in other areas of the audit.

*/s/ PKF O'Connor Davies, LLP*

New York, New York  
March 17, 2022

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
<b>CURRENT ASSETS</b>		
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
<b>TOTAL CURRENT ASSETS</b>	20,525	21,398
<b>PROPERTY PLANT AND EQUIPMENT - NET</b>	1,532	1,824
<b>OTHER ASSETS</b>		
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
<b>TOTAL OTHER ASSETS</b>	22,294	24,696
<b>TOTAL ASSETS</b>	<u>\$ 44,351</u>	<u>\$ 47,918</u>
<b>CURRENT LIABILITIES</b>		
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
<b>TOTAL CURRENT LIABILITIES</b>	11,241	11,513
<b>LONG TERM LIABILITIES</b>		
Long term debt	3,595	8,895
Long term leases	615	1,200
Other long term liabilities	52	82
Deferred tax liability	228	377
<b>TOTAL LONG TERM LIABILITIES</b>	4,490	10,554
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>SHAREHOLDERS' EQUITY</b>		
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
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<u>28,620</u>	<u>25,851</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u>\$ 44,351</u>	<u>\$ 47,918</u>

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)**

	<b>Twelve Months Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
<b>Net revenues</b>	<b>\$ 49,245</b>	<b>\$ 41,748</b>
Cost of revenues	24,158	20,781
<b>Gross profit</b>	<b>25,087</b>	<b>20,967</b>
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
<b>Total operating expenses</b>	<b>25,232</b>	<b>29,066</b>
<b>Operating income/(loss)</b>	<b>(145)</b>	<b>(8,099)</b>
PPP Loan Forgiveness	2,045	-
Other income/(expense)	70	187
Interest expense	(1,143)	(985)
<b>Income/(Loss) before taxes</b>	<b>827</b>	<b>(8,897)</b>
Tax provision/(benefit)	(673)	(809)
<b>Net income/(loss)</b>	<b>\$ 1,500</b>	<b>\$ (8,088)</b>
Other comprehensive income/(loss):		
Foreign currency translation adjustments	(70)	190
<b>Comprehensive income/(loss)</b>	<b>\$ 1,430</b>	<b>\$ (7,898)</b>
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
<b>Balances at December 31, 2019</b>	<b>34,488,252</b>	<b>\$ 345</b>	<b>\$ 49,062</b>	<b>\$ 7,142</b>	<b>\$(24,509)</b>	<b>\$ 651</b>	<b>\$ 32,691</b>
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
<b>Balances at December 31, 2020</b>	<b>34,888,904</b>	<b>\$ 349</b>	<b>\$ 50,163</b>	<b>\$ (946)</b>	<b>\$(24,556)</b>	<b>\$ 841</b>	<b>\$ 25,851</b>
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)
<b>Balances at December 31, 2021</b>	<b>35,915,636</b>	<b>\$ 359</b>	<b>\$ 51,555</b>	<b>\$ 554</b>	<b>\$(24,619)</b>	<b>\$ 771</b>	<b>\$ 28,620</b>

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

# **CONSOLIDATED STATEMENTS OF CASH FLOWS**

**Wireless Telecom Group, Inc.**

**(In thousands)**

	<b>For the Twelve Months Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS PROVIDED BY OPERATING ACTIVITIES</b>		
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	<u>4,558</u>	<u>2,980</u>
<b>CASH FLOWS USED BY INVESTING ACTIVITIES</b>		
Capital expenditures	(524)	(364)
Acquisition of business, net of cash acquired	(200)	(8,246)
Net cash used by investing activities	<u>(724)</u>	<u>(8,610)</u>
<b>CASH FLOWS PROVIDED/(USED) BY FINANCING ACTIVITIES</b>		
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	<u>(4,211)</u>	<u>6,308</u>
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	<u>4,910</u>	<u>4,245</u>
CASH AND CASH EQUIVALENTS, AT END OF YEAR	<u>\$ 4,472</u>	<u>\$ 4,910</u>
<b>SUPPLEMENTAL INFORMATION:</b>		
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
	<u>\$ 9,074</u>	<u>\$ 8,796</u>

### ***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
	<hr/>
Total purchase price	12,042
	<hr/>
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)
	<hr/>
Net assets acquired	6,042
	<hr/>
<b>Goodwill</b>	<b>\$ 6,000</b>

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
<b>Maturity of Lease Liabilities</b>	
2022	\$ 637
2023	276
2024	158
2025	163
2026	69
Total undiscounted operating lease payments	1,303
Less: imputed interest	(103)
<b>Present Value of operating lease liabilities</b>	<b>\$ 1,200</b>
<b>Balance sheet classification</b>	
Current lease liabilities	\$ 585
Long-term lease liabilities	615
<b>Total operating lease liabilities</b>	<b>\$ 1,200</b>
<b>Other information</b>	
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
<b>Total net revenues by revenue type</b>		
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
<b>Total net revenue</b>	<b>\$ 49,245</b>	<b>\$ 41,748</b>
<b>Total net revenues by geographic areas</b>		
Americas	\$ 35,800	\$ 31,329
EMEA	7,366	6,329
APAC	6,079	4,090
<b>Total net revenue</b>	<b>\$ 49,245</b>	<b>\$ 41,748</b>

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	<u>\$ 9,376</u>	<u>\$ (5,691)</u>	<u>\$ (258)</u>	<u>\$ 234</u>	<u>\$ 3,661</u>

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	<u>\$ 9,376</u>	<u>\$ (4,378)</u>	<u>\$ -</u>	<u>\$ 244</u>	<u>\$ 5,242</u>

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	<u>\$ 3,250</u>

**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
	<u>\$ 316</u>	<u>\$ 474</u>

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	
	Number of Shares	Weighted Average Grant Date Fair Value	Number of Shares	Weighted Average Grant Date Fair Value
<b>Non-vested Restricted Shares</b>				
<b>Non-vested as of January 1</b>	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
<b>Non-vested as of December 31</b>	<u>357,336</u>	<u>\$ 1.84</u>	<u>200,670</u>	<u>\$ 1.52</u>

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
<b>2021</b>			
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
<b>2020</b>			
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 Incentive 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	
	Number of Shares	Weighted Average Grant Date Fair Value	Number of Shares	Weighted Average Grant Date Fair Value
<b>Non-vested Restricted Stock Units</b>				
<b>Non-vested as of January 1</b>	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	-	-	-	-
<b>Non-vested as of December 31</b>	<b>150,000</b>	<b>\$ 2.70</b>	<b>161,507</b>	<b>\$ 1.21</b>

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
<b>2021</b>			
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
<b>2020</b>			
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
<b>Outstanding as of January 1</b>	1,205,000	\$ 1.52	105,000	\$ 1.61
Granted	-	-	1,120,000	\$ 1.50
Exercised	-	-	(20,000)	\$ 0.78
Forfeited	-	-	-	-
Expired	-	-	-	-
<b>Outstanding as of December 31</b>	<b>1,205,000</b>	<b>\$ 1.52</b>	<b>1,205,000</b>	<b>\$ 1.52</b>
<b>Exercisable at December 31</b>	-	-	-	-

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
<b>Outstanding as of January 1</b>	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
<b>Outstanding as of December 31</b>	<b>1,785,000</b>	<b>\$ 1.52</b>	<b>1,925,000</b>	<b>\$ 1.52</b>
<b>Exercisable at December 31</b>	<b>1,785,000</b>	<b>\$ 1.53</b>	<b>1,736,250</b>	<b>\$ 1.51</b>

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:

	<b>Number of Options</b>	<b>Option Term (in years)</b>	<b>Exercise Price</b>	<b>Risk Free Interest Rate</b>	<b>Expected Volatility</b>	<b>Fair Value at Grant Date</b>	<b>Expected Dividend Yield</b>
<b>2021</b>							
None							
<b>2020</b>							
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
<b>Current:</b>		
Federal	\$ -	\$ -
State	108	73
Foreign	(764)	(1,060)
<b>Deferred:</b>		
Federal	215	182
State	(94)	129
Foreign	(138)	(133)
<b>Total</b>	<b>\$ (673)</b>	<b>\$ (809)</b>

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	% of
	Pre Tax	Pre Tax
	Earnings	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
<b>Total</b>	<b>(81.4)%</b>	<b>(9.0)%</b>

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,	
	2021	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	
	2021	2020
(Unaudited)		
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 Liabilities	\$ 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.

## PART III

### **Item 10. Directors, Executive Officers and Corporate Governance**

The information required under this item is set forth under “Director Nominees and Executive Officers of the Company”, “Code of Business Conduct and Ethics” and “Corporate Governance Guidelines and Committees of the Board of Directors” in the 2022 Proxy Statement and is incorporated herein by reference.

### **Item 11. Executive Compensation**

The information required under this item is set forth under “Executive Compensation”, “Compensation for the Named Executive Officers in 2021 and 2020”, “Director Compensation for 2021” and “Certain Relationships and Related Transactions” in the 2022 Proxy Statement and is incorporated herein by reference.

### **Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

The information about our equity compensation plans is set forth under “Equity Compensation Plan Information” in Item 5 of this annual report on Form 10-K and is incorporated herein by reference.

The information about security ownership of certain beneficial owners and management is set forth under “Security Ownership of Certain Beneficial Owners” in the 2022 Proxy Statement and is incorporated herein by reference.

### **Item 13. Certain Relationships and Related Transactions, and Director Independence**

The information required under this item is set forth under “Certain Relationships and Related Transactions” and “Corporate Governance Guidelines and Committees of the Board of Directors” in the 2022 Proxy Statement and is incorporated herein by reference.

### **Item 14. Principal Accountant Fees and Services**

The information required under this item is set forth under “Fees Paid to Principal Accountants” and “Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditors” in the 2022 Proxy Statement and is incorporated herein by reference.

## PART IV

### Item 15. Exhibits and Financial Statement Schedules

- (a) (1) Report of Independent Registered Public Accounting Firm  
Consolidated Balance Sheets as of December 31, 2021 and 2020  
Consolidated Statements of Operations and Comprehensive Loss for the Two Years ended December 31, 2021  
Consolidated Statements of Changes in Shareholders' Equity for the Two Years ended December 31, 2021  
Consolidated Statements of Cash Flows for the Two Years ended December 31, 2021  
Notes to Consolidated Financial Statements
- (2) All other schedules have been omitted because the required information is included in the financial statements or notes thereto or because they are not required.
- (3) Exhibits
- 3.1 [Restated Certificate of Incorporation of Wireless Telecom Group, Inc. \(incorporated herein by reference to Exhibit 3.1 to Wireless Telecom Group Inc.'s Annual Report on Form 10-K/A filed on April 22, 2005, Commission File No. 1-11916\)](#)
- 3.2 [Amended and Restated By-laws \(incorporated herein by reference to Exhibit 3.1 to Wireless Telecom Group, Inc.'s Current Report on Form 8-K, filed on July 1, 2016, Commission File No. 011-11916\)](#)
- 10.1\* [2012 Incentive Compensation Plan of Wireless Telecom Group, Inc. \(incorporated herein by reference to Annex A to the Definitive Proxy Statement of Wireless Telecom Group, Inc., filed with the SEC on April 30, 2012\)](#)
- 10.2\* [Form of Restricted Stock Award Agreement under 2012 Incentive Compensation Plan \(incorporated herein by reference Exhibit 10.11 to Wireless Telecom Group, Inc.'s Annual Report on Form 10-K, filed on April 1, 2013, Commission file No. 1-11916\)](#)
- 10.3\* [Form of Stock Option Agreement under the Wireless Telecom Group Inc.'s 2012 Incentive Compensation Plan \(incorporated herein by reference to Exhibit 10.1 to Wireless Telecom Group Inc.'s Quarterly Report on Form 10-Q, filed on November 14, 2013, Commission File No. 1-11916\)](#)

- 10.4\* [Amended and Restated 2012 Incentive Compensation Plan of Wireless Telecom Group, Inc. \(incorporated herein by reference to Appendix A to Wireless Telecom Group Inc.'s Definitive Proxy Statement on Schedule 14A, filed with the SEC on April 30, 2014\)](#)
- 10.6 [Fifth Amendment to Lease Agreement, dated May 1, 2015 and retroactively effective as of April 1, 2015, by and between Icon Keystone NJP III Owner Pool 4 NJ, LLC and Boonton Electronics Corporation \(incorporated herein by reference to Exhibit 10.1 to Wireless Telecom Group Inc.'s Current Report on Form 8-K, filed on May 12, 2015, Commission File No. 001-11916\)](#)
- 10.7\* [Executive Employment Agreement, dated June 30, 2016, between Wireless Telecom Group, Inc. and Timothy Whelan \(incorporated herein by reference to Exhibit 10.1 to Wireless Telecom Group Inc.'s Current Report on Form 8-K, filed on July 7, 2016, Commission File No. 001-11916\)](#)
- 10.8\* [Employment Letter Agreement, dated December 1, 2016, between Wireless Telecom Group, Inc. and Michael Kandell \(incorporated herein by reference to Exhibit 10.12 to Wireless Telecom Group, Inc.'s Annual Report on Form 10-K, filed on March 20, 2017, Commission File No. 001-11916\)](#)
- 10.9 [Settlement Agreement and Site Release, dated December 16, 2016, by and among Wireless Telecom Group, Inc., Boonton Electronics Corp., WTT Acquisition Corp., Century Indemnity Company, as successor to Insurance Company of North America and Federal Insurance Company \(incorporated herein by reference to Exhibit 10.1 to Wireless Telecom Group Inc.'s Current Report on Form 8-K, filed on December 22, 2016, Commission File No. 001-11916\)](#)
- 10.10 [Share Purchase Agreement, dated February 17, 2017, by and among Wireless Telecom Group, Inc., Wireless Telecommunications, Ltd., Edward De Salis Young, Paul Moakes, Simon Pack and Martin Hollinshead \(incorporated herein by reference to Exhibit 10.1 to Wireless Telecom Group Inc.'s Current Report on Form 8-K, filed on February 21, 2017, Commission File No. 001-11916\)](#)
- 10.11 [Registration Rights Agreement, dated February 17, 2017, by and among Wireless Telecom Group, Inc., Edward De Salis Young, Paul Moakes, Simon Pack and Martin Hollinshead \(incorporated herein by reference to Exhibit 10.2 to Wireless Telecom Group Inc.'s Current Report on Form 8-K, filed on February 21, 2017, Commission File No. 001-11916\)](#)
- 10.12 [Lock Up Agreement, dated February 17, 2017, by and among Wireless Telecom Group, Inc., Edward De Salis Young, Paul Moakes, Simon Pack and Martin Hollinshead \(incorporated herein by reference to Exhibit 10.3 to Wireless Telecom Group Inc.'s Current Report on Form 8-K, filed on February 21, 2017, Commission File No. 001-11916\)](#)



- 10.13 [Voting Agreement, dated February 17, 2017, by and among Wireless Telecom Group, Inc., Edward De Salis Young, Paul Moakes, Simon Pack and Martin Hollinshead \(incorporated herein by reference to Exhibit 10.4 to Wireless Telecom Group Inc.'s Current Report on Form 8-K, filed on February 21, 2017, Commission File No. 001-11916\)](#)
- 10.14 [Loan and Security Agreement, dated February 16, 2017, Wireless Telecom Group, Inc. Boonton Electronic Corporation, Microlab/FXR and Bank of America, N.A. \(incorporated herein by reference to Exhibit 10.5 to Wireless Telecom Group Inc.'s Current Report on Form 8-K, filed on February 21, 2017, Commission File No. 001-11916\)](#)
- 10.15 [Amendment No. 1 to Loan and Security Agreement by and among Wireless Telecom Group, Inc., Boonton Electronic Corporation, Microlab/FXR and Bank of America, N.A. dated August 3, 2017 \(incorporated herein by reference to Exhibit 10.6 to Wireless Telecom Group's Quarterly Report on Form 10-Q filed on August 9, 2017, Commission File No. 001-11916\)](#)
- 10.16\* [Amendment to Executive Employment Agreement by and between Wireless Telecom Group, Inc. and Timothy Whelan dated June 9, 2017 \(incorporated herein by reference to Exhibit 10.8 to Wireless Telecom Group, Inc.'s Quarterly Report on Form 10-Q filed on August 9, 2017, Commission File No. 001-11916\)](#)
- 10.17\* [Form of non-employee director Restricted Stock Unit grant agreement \(incorporated herein by reference to Exhibit 10.1 to Wireless Telecom Group, Inc.'s Quarterly Report on Form 10-Q filed August 8, 2018, Commission File No. 001-11916\)](#)
- 10.18\* [Form of Stock Option Agreement under the Wireless Telecom Group Inc.'s 2012 Incentive Compensation Plan for grants after February 11, 2019 \(incorporated herein by reference to Exhibit 10.26 to Wireless Telecom Group, Inc.'s Annual Report on Form 10-K, filed on March 19, 2020, Commission File No. 001-11916\)](#)
- 10.19\* [Form of Restricted Stock Award Agreement under the Wireless Telecom Group Inc.'s 2012 Incentive Compensation Plan for grants after February 11, 2019 \(incorporated herein by reference to Exhibit 10.27 to Wireless Telecom Group, Inc.'s Annual Report on Form 10-K, filed on March 19, 2020, Commission File No. 001-11916\)](#)
- 10.20 [Amendment No. 3 to Loan and Security Agreement by and among Wireless Telecom Group, Inc., Boonton Electronic Corporation, Microlab/FXR and Bank of America, N.A. dated February 26, 2019 \(incorporated herein by reference to Exhibit 10.1 to Wireless Telecom Group's Quarterly Report on Form 10-Q filed on March 5, 2019, Commission File No. 001-11916\)](#)
- 10.21 [Amendment No. 4 to Loan and Security Agreement by and among Wireless Telecom Group, Inc., Boonton Electronic Corporation, Microlab/FXR and Bank of America, N.A. dated November 8, 2019 \(incorporated herein by reference to Exhibit 10.1 to Wireless Telecom Group's Quarterly Report on Form 10-Q filed on November 14, 2019, Commission File No. 001-11916\)](#)
- 10.22 [Share Purchase Agreement, dated as of November 13, 2019, among Wireless Telecom Group Inc., Holzworth Instrumentation Inc., Jason Breitbarth, Joe Koebel and Leyla Bly, and Jason Breitbarth as the designated representative of Sellers \(incorporated herein by reference to Exhibit 10.1 to Wireless Telecom Group Inc.'s Current Report on Form 8-K, filed on November 18, 2019, Commission File No. 001-11916\)](#)
- 10.23 [Form of Lock-up and Voting Agreement \(incorporated herein by reference to Exhibit 99.1 to Wireless Telecom Group Inc.'s Current Report on Form 8-K, filed on November 18, 2019, Commission File No. 001-11916\)](#)
- 10.24 [First Amendment to Share Purchase Agreement, dated January 31, 2020, by and among Wireless Telecom Group, Inc. and Holzworth Instrumentation Inc., Jason Breitbarth, Joe Koebel and Leyla Bly \("Sellers"\), and Jason Breitbarth as the designated representative of Sellers \(incorporated herein by reference to Exhibit 10.2 to Wireless Telecom Group Inc.'s Current Report on Form 8-K, filed on February 3, 2020, Commission File No. 001-11916\)](#)

- 10.25 [Credit Agreement, dated as of February 7, 2020, among Wireless Telecom Group, Inc., as the Borrower, and Certain Subsidiaries of the Borrower Identified Herein, as the Guarantors, and Muzinich BDC, Inc., as the Lender dated February 7, 2020. Schedules and exhibits omitted pursuant to Regulation S-K, Item 601\(a\)\(5\); will be furnished to the Securities and Exchange Commission upon request. \(incorporated herein by reference to Exhibit 10.33 to Wireless Telecom Group, Inc.'s Annual Report on Form 10-K, filed on March 19, 2020, Commission File No. 001-11916\)](#)
- 10.26 [Amendment No. 5 to Loan and Security Agreement by and among Wireless Telecom Group, Inc., Boonton Electronics Corporation, Microlab/FXR LLC, Holzworth Instrumentation, Inc., CommAgility Limited, and Bank of America, N.A. dated February 7, 2020 \(incorporated herein by reference to Exhibit 10.34 to Wireless Telecom Group, Inc.'s Annual Report on Form 10-K, filed on March 19, 2020, Commission File No. 001-11916\)](#)
- 10.27 [Warrant dated February 7, 2020, by Wireless Telecom Group, Inc. in favor of Muzinich BDC, Inc. \(incorporated herein by reference to Exhibit 10.1 to Wireless Telecom Group Inc.'s Current Report on Form 8-K, filed on February 13, 2020, Commission File No. 001-11916\)](#)
- 10.28 [Bank of America Promissory Note in the principal amount of \\$2,044,935.00\(incorporated herein by reference to Exhibit 10.1 to Wireless Telecom Group Inc.'s Current Report on Form 8-K, filed on May 7, 2020, Commission File No. 001-11916\)](#)
- 10.29 [Amendment No. 6 to Loan and Security Agreement by and among Wireless Telecom Group, Inc., Boonton Electronics Corporation, Microlab/FXR LLC, Holzworth Instrumentation, Inc., CommAgility Limited, and Bank of America, N.A. dated May 4, 2020 \(incorporated herein by reference to Exhibit 10.2 to Wireless Telecom Group Inc.'s Current Report on Form 8-K, filed on May 7, 2020, Commission File No. 001- 11916\)](#)
- 10.30 [First Amendment to Credit Agreement among Wireless Telecom Group, Inc., as the Borrower, and Certain Subsidiaries of the Borrower Identified Herein, as the Guarantors, and Muzinich BDC, Inc., as the Lender dated May 4, 2020 \(incorporated herein by reference to Exhibit 10.3 to Wireless Telecom Group Inc.'s Current Report on Form 8-K, filed on May 7, 2020, Commission File No. 001-1916\)](#)
- 10.31 [Amendment No. 7 to Loan and Security Agreement by and among Wireless Telecom Group, Inc., Boonton Electronics Corporation, Microlab/FXR LLC, Holzworth Instrumentation, Inc., CommAgility Limited, and Bank of America, N.A. dated February 25, 2021 \(incorporated herein by reference to Exhibit 10.31 to Wireless Telecom Group, Inc.'s Annual Report on Form 10-K, filed on March 19, 2021, Commission File No. 001-11916\)](#)
- 10.32 [Second Amendment to Credit Agreement among Wireless Telecom Group, Inc., as the Borrower, and Certain Subsidiaries of the Borrower Identified Herein, as the Guarantors, and Muzinich BDC, Inc., as the Lender dated February 25, 2021 \(incorporated herein by reference to Exhibit 10.32 to Wireless Telecom Group, Inc.'s Annual Report on Form 10-K, filed on March 19, 2021, Commission File No. 001-11916\)](#)
- 10.33 [Second Amendment to Share Purchase Agreement, dated February 19, 2021, by and among Wireless Telecom Group, Inc. and Holzworth Instrumentation Inc., Jason Breitbarth, Joe Koebel and Leyla Bly \("Sellers"\), and Jason Breitbarth as the designated representative of Sellers \(incorporated herein by reference to Exhibit 10.33 to Wireless Telecom Group, Inc.'s Annual Report on Form 10-K, filed on March 19, 2021, Commission File No. 001-11916\)](#)
- 10.34\* [Wireless Telecom Group, Inc. 2021 Long-Term Incentive Plan \(incorporated herein by reference to Exhibit 10.1 to Wireless Telecom Group, Inc.'s Quarterly Report on Form 10-Q filed on August 11, 2021, Commission File No. 001-11916\)](#)

- 10.35\* [Form of Restricted Stock Award Agreement under Wireless Telecom Group, Inc. 2021 Long-Term Incentive Plan \(incorporated herein by reference to Exhibit 10.2 to Wireless Telecom Group, Inc.'s Quarterly Report on Form 10-Q filed on August 11, 2021, Commission File No. 001-11916\)](#)
- 10.36\* [Form of Stock Option Award Agreement under Wireless Telecom Group, Inc. 2021 Long-Term Incentive Plan \(incorporated herein by reference to Exhibit 10.3 to Wireless Telecom Group, Inc.'s Quarterly Report on Form 10-Q filed on August 11, 2021, Commission File No. 001-11916\)](#)
- 10.37\* [Form of Non-Employee Director Restricted Stock Unit Award Agreement under Wireless Telecom Group, Inc. 2021 Long-Term Incentive Plan \(incorporated herein by reference to Exhibit 10.4 to Wireless Telecom Group, Inc.'s Quarterly Report on Form 10-Q filed on August 11, 2021, Commission File No. 001-11916\)](#)
- 10.38 [Third Amendment to Credit Agreement and Limited Waiver by and between Wireless Telecom Group, Inc., the Borrower's subsidiaries and Muzinich BDC, Inc. dated May 27, 2021 \(incorporated herein by reference to Exhibit 10.1 to Wireless Telecom Group, Inc.'s Quarterly Report on Form 10-Q filed on November 10, 2021, Commission File No. 001-11916\)](#)
- 10.39 [Business Loan Agreement by and between Lloyds Bank PLC and CommAgility Limited dated May 27, 2021 \(incorporated herein by reference to Exhibit 10.2 to Wireless Telecom Group, Inc.'s Quarterly Report on Form 10-Q filed on November 10, 2021, Commission File No. 001-11916\)](#)
- 10.40 [Deed of Priority by and between CommAgility Limited, Lloyds Bank PLC, Muzinich BDC, Inc. and Bank of America, N.A. dated June 17, 2021 \(incorporated herein by reference to Exhibit 10.3 to Wireless Telecom Group, Inc.'s Quarterly Report on Form 10-Q filed on November 10, 2021, Commission File No. 001-11916\)](#)
- 10.41 [Fourth Amendment to the Credit Agreement by and between Wireless Telecom Group, Inc., the Borrower's subsidiaries and Muzinich BDC, Inc. dated as of September 28, 2021 \(incorporated herein by reference to Exhibit 10.4 to Wireless Telecom Group, Inc.'s Quarterly Report on Form 10-Q filed on November 10, 2021, Commission File No. 001-11916\)](#)
- 10.42 [Amendment No. 8 to Loan and Security Agreement by and among Wireless Telecom Group, Inc., Boonton Electronics Corp., Microlab/FXR LLC, Holzworth Instrumentation Inc., CommAgility Limited and Bank of America, N.A., dated September 28, 2021 \(incorporated herein by reference to Exhibit 10.5 to Wireless Telecom Group, Inc.'s Quarterly Report on Form 10-Q filed on November 10, 2021, Commission File No. 001-11916\)](#)
- 10.43\* [Amended and Restated Executive Employment Agreement by and between Wireless Telecom Group, Inc. and Timothy Whelan dated January 31, 2022](#)
- 10.44\* [Amended Employment Letter Agreement, dated January 31, 2022, between Wireless Telecom Group, Inc. and Michael Kandell](#)
- 10.45\* [Amended Employment Letter Agreement, dated January 31, 2022, between Wireless Telecom Group, Inc. and Daniel Monopoli](#)
- 10.46\* [Amended Employment Letter Agreement, dated January 31, 2022, between Wireless Telecom Group, Inc. and Alfred Rodriguez](#)
- 21.1 [List of subsidiaries](#)
- 23.1 [Consent of Independent Registered Public Accounting Firm \(PKF O'Connor Davies, LLP\)](#)
- 31.1 [Certification pursuant to section 302 of the Sarbanes-Oxley Act of 2002](#)
- 31.2 [Certification pursuant to section 302 of the Sarbanes-Oxley Act of 2002](#)
- 32.1 [Certification pursuant to 18 U.S.C. section 1350](#)
- 32.2 [Certification pursuant to 18 U.S.C. section 1350](#)
- 100.1 The following financial statements from Wireless Telecom Group, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2021, filed on March 17, 2022, formatted in Inline Extensible Business

Reporting Language (XBRL): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations and Comprehensive Loss, (iii) Consolidated Statements of Cash Flows, (iv) Consolidated Statement of Changes in Shareholders' Equity, and (v) the Notes to the Consolidated Financial Statements. As provided in Rule 406T of Regulation S-T, this information is furnished and not filed for purposes of Securities 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934

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\* Denotes a management contract or compensatory plan or arrangement.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Date: March 17, 2022

By: /s/ Timothy Whelan

Timothy Whelan  
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Name</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Alan L. Bazaar</u> Alan L. Bazaar	Chairman of the Board	March 17, 2022
<u>/s/ Timothy Whelan</u> Timothy Whelan	Chief Executive Officer	March 17, 2022
<u>/s/ Michael Kandell</u> Michael Kandell	Chief Financial Officer	March 17, 2022
<u>/s/ Mitchell Herbets</u> Mitchell Herbets	Director	March 17, 2022
<u>/s/ Michael Millegan</u> Michael Millegan	Director	March 17, 2022
<u>/s/ Allan D.L. Weinstein</u> Allan D.L. Weinstein	Director	March 17, 2022
<u>/s/ Jennifer Fritzsche</u> Jennifer Fritzsche	Director	March 17, 2022
<u>/s/ Scott Gibson</u> Scott Gibson	Director	March 17, 2022