WIRELESS TELECOM GROUP INC
Form 10-K
April 02, 2007

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K

[X] ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2006

OR

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________ to

Commission file number 1-11916

WIRELESS TELECOM GROUP, INC.
(Exact name of registrant as specified in its charter)

New Jersey (State or other jurisdiction of incorporation or organization)	22-2582295 (I.R.S. Employer Identification No.)
25 Eastmans Road, Parsippany, New Jersey (Address of principal executive offices)	07054 (Zip Code)

(973) 386-9696
(Registrants Telephone Number, Including Area Code)

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

Title of each class	Name of each exchange on which registered
Common Stock, par value $.01 per share	American Stock Exchange

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 [**X**]

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 [**X**]

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

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

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

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

Large accelerated filer [ ]   Accelerated filer [ ]   Non-accelerated filer [**X**]

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

The aggregate market value of Wireless Telecom Group, Inc. Common Stock, $.01 par value, computed by reference to the closing price as reported by AMEX on March 27, 2007: $61,792,138; computed non-affiliates: $45,567,226

Number of shares of Wireless Telecom Group, Inc. Common Stock, $.01 par value, outstanding as of March 27, 2007: 25,854,451. Number of non-affiliated shares of Common Stock outstanding as of March 27, 2007: 19,065,785

DOCUMENTS INCORPORATED BY REFERENCE

Part III Items 10, 11, 12, 13 and 14	In the Company’s Definitive Proxy Statement in connection with its 2007 annual meeting of shareholders to be filed with the Securities and Exchange Commission no later than May 1, 2007.
Part IV - Certain exhibits listed in response to Item 15(a)(3)	Prior filings made by the Company under the Securities Act of 1933 and the Securities Exchange Act of 1934.

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PART I

Item 1. Business

Wireless Telecom Group, Inc., a New Jersey corporation (the Company), develops, manufactures and markets a wide variety of electronic noise sources, passive microwave components and electronic testing and measuring instruments including power meters, voltmeters and modulation meters, and handset production testers for wireless products. The Companys products have historically been primarily used to test the performance and capability of cellular/PCS and satellite communications systems, and to measure the power of RF and microwave systems. Other applications include radio, radar, wireless local area network (WLAN), digital television and high-speed digital design. The consolidated financial statements include the accounts of Wireless Telecom Group, Inc. and its wholly-owned subsidiaries Boonton Electronics Corporation, Microlab/FXR, Willtek Communications GmbH, WTG Foreign Sales Corporation and NC Mahwah, Inc. The corporate website address is www.wtt.bz.

On July 1, 2005, the Company acquired Willtek Communications GmbH, a limited liability corporation organized under the laws of Germany (Willtek), for the net purchase price of $26,106,826. The acquisition of Willtek was recorded under the purchase method of accounting for financial statement purposes. Willteks balance sheets are included in the consolidated balance sheet as of December 31, 2006 and 2005. Willteks results of operations and cash flows for the twelve-months ended December 31, 2006 are included in the consolidated statements of operations and cash flows, but for the twelve-months ended December 31, 2005, only the six-month period from the date of acquisition, July 1, 2005 to December 31, 2005 is included. Willteks financial information is not included for the twelve-months ended December 31, 2004.

On December 21, 2001, the Company acquired Microlab/FXR, a private entity, for the net purchase price of $3,800,000 in cash. The acquisition of Microlab/FXR was recorded under the purchase method of accounting for financial statement purposes.

On July 7, 2000, a newly formed, wholly-owned subsidiary of the Company, WTT Acquisition Corp., merged with and into Boonton Electronics Corporation (Boonton), a public entity. Each share of Boonton common stock was converted into .79 shares of the Companys common stock with aggregated consideration totaling 1,885,713 shares of Wireless common stock. The merger was accounted for as a pooling of interests.

Market

Since the Companys incorporation in the State of New Jersey in 1985, it has been primarily engaged in supplying noise source products and electronic testing and measurement instruments to various customers. Approximately 87% of the Companys sales in fiscal 2006 were derived from commercial applications. The remaining sales (approximately 13%) were comprised of sales made to the United States Government (particularly the armed forces) and prime defense contractors.

Products

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

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

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

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

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

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

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

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

The Company, through Willtek, specializes in the design, development, manufacture, installation, and operation of instruments that test wireless communications networks and mobile terminals at their radio frequency interface for quality of transmission and reception. The Company’s test and measurement products serve two primary market applications, terminal testing (“Terminal Test”) and air interface testing (“Air Interface Test”). The Company’s Terminal Test products include testing equipment, test applications and services for wireless network operators, service providers and manufacturers of mobile communications equipment. The Company’s Air Interface Test products are field instruments used to test base station radio frequency, cell coverage and network radio frequency performance.

Further, through Willtek, the Company also manufactures a general-purpose spectrum analyzer for radio frequency applications, which produces a graphical representation of a radio signal and displays a range of wavelengths in a frequency domain.

The Company’s products consist of several models with varying degrees of capabilities which can be customized to meet particular customer requirements. They may be incorporated directly into the electronic equipment concerned or may be stand alone components or devices that are connected to, or used in conjunction with, such equipment operating from an external site, in the factory or in the field. Prices of products range from approximately $100 to $100,000 per unit, with most sales occurring between $2,000 and $10,000 per unit.

The Company’s products have extended useful lives and the Company provides for its noise and power products, recalibration services to ensure their accuracy, for a fee, to its domestic and international customers, and also calibrates test equipment manufactured by others. Such services accounted for approximately 7% of fiscal 2006 sales.

Marketing and Sales

As of March 27, 2007, the Company’s in-house marketing and sales force consisted of fifty-four individuals. The Company promotes the sale of its products to customers and manufacturers’ representatives through its product literature, publication of articles, presentations at technical conferences, direct mailings, trade advertisements and trade show exhibitions.

The Company’s products are sold globally through its in-house sales people and by over sixty non-exclusive manufacturers’ representatives. Generally, manufacturers’ representatives do not stock inventories of the Company’s products. Manufacturers’ representatives accounted for an aggregate of 51% and 73% of the Company’s sales for the years ended December 31, 2006 and 2005, respectively. For the year ended December 31, 2006 and 2005, no representative accounted for more that 10% of total sales. The Company does not believe that, although there can be no assurance, the loss of any or all of its representatives would have a material adverse affect on its business.

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

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

Customers

The Company currently sells the majority of its products to various commercial users in the communications industry. Other sales are made to large defense contractors, which incorporate the Company's products into their products for sale to the U.S. and foreign governments, multi-national concerns and Fortune 500 companies. In fiscal 2006, approximately 87% of sales were derived from commercial applications. The remaining sales were comprised of government and military applications.

For fiscal 2006, the Company's largest customer accounted for approximately 3% of total sales. The Company's largest customers vary from year to year. Accordingly, while the complete loss of any large customer or substantial reduction of sales to such customers could have a material adverse effect on the Company, the Company has experienced shifts in sales patterns with such large companies in the past without any material adverse effect. There can be no assurance, however, that the Company will not experience future shifts in sales patterns not having a material adverse effect on its business.

Sales to overseas customers for fiscal 2006 were $29,563,722, or approximately 55% of total sales. These sales were made predominantly to customers in Europe ($16,501,760 or 31% of total sales) and Asia ($7,642,818 or 14% of total sales).

Research and Development

The Company currently maintains an engineering staff (fifty-six individuals as of March 27, 2007) whose duties include the improvement of existing products, modification of products to meet customer needs and the engineering, research and development of new products and applications. Expenses for research and development involve engineering for improvements and development of new products for commercial markets. Such expenditures include the cost of engineering services and engineering support personnel and were approximately $6,593,000 and $4,389,000, for the years ended December 31, 2006 and 2005, respectively.

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Competition

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

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

Backlog

The Company's backlog of firm orders was approximately $6,900,000 at December 31, 2006, compared to approximately $8,100,000 at December 31, 2005. It is anticipated that the majority of the backlog orders will be filled during the current year. The stated backlog is not necessarily indicative of Company sales for any future period nor is a backlog any assurance that the Company will realize a profit from the orders.

Inventory, Supplies and Manufacturing

The Company purchases components, devices and subassemblies from a wide variety of sources. The Company’s inventory policy stresses maintaining substantial raw materials in order to lessen its dependency on third party suppliers and to improve its capacity to facilitate production. However, shortages or delays of supplies may, in the future, have a material adverse impact on the Company’s operations. One third-party supplier accounted for more than 19% of the Company’s total inventory purchases for fiscal 2006.

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

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

Warranty and Service

The Company provides one-year warranties on all of its products covering both parts and labor. The Company, at its option, repairs or replaces products that are defective during the warranty period if the proper preventive maintenance procedures have been followed by its customers. Repairs that are necessitated by misuse of such products or are required outside the warranty period are not covered by the Company’s warranty.

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

Product Liability Coverage

The testing of electronic communications equipment and the accurate transmission of information entail a risk of product liability by customers and others. Claims may be asserted against the Company by end-users of any of the Company’s products. The Company has maintained product liability insurance coverage since August 1991. To date, the Company has not received or encountered any formal claims for product liability due to a defective or malfunctioning device made by it. However, it is possible that the Company may be subject to such claims in the future and corresponding litigation should one or more of its products fail to perform or meet certain minimum specifications.

Intellectual Property

Proprietary information and know-how are important to the Company’s commercial success. The trademark “Boonton” was registered in the United States Patent and Trademark Office. There can be no assurance that others will not either develop independently the same or similar information or obtain and use proprietary information of the Company. Certain key employees have signed confidentiality and non-competition agreements regarding the Company’s proprietary information. The Company’s Willtek business segment holds twelve patents and utility models (covering eight products/technologies), four of which are in the United States. Such patent applications and patents cover a wide range of products and technologies and have various expiration dates.

The Company believes that its products do not infringe the proprietary rights of third parties. There can be no assurance, however, that third parties will not assert infringement claims in the future.

Environmental Protection

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

The Company and the NJDEP have agreed upon a plan to correct ground water contamination at the site, located in the township of Parsippany-Troy Hills, pursuant to which wells have been installed by the Company. The plan contemplates that the wells will be operated and that soil and water samples will be taken and analyzed until such time, which the Company is unable to predict, that contamination levels are satisfactory to the NJDEP. Expenditures incurred by the Company during the year ended December 31, 2006 in connection with the site amounted to approximately $18,000. The Company estimates that expenditures in this regard, including the costs of operating the wells and taking and analyzing soil and water samples, will amount to approximately $14,000 per annum until the NJDEP determines that testing is complete.

Employees

As of March 27, 2007, the Company had 233 full-time employees, including its officers, 99 of whom are engaged in manufacturing and repair services, 19 in administration and financial control, 56 in engineering and research and development, and 54 in marketing and sales.

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

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

Item 1A. Risk Factors

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

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

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

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

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

Moreover, Willtek had no binding long-term contractual relationships with its customers at the time of the Willtek acquisition, and orders are made by Willtek's customers as and when their needs arise. Consequently, such customers may terminate their relationship with us at any time and without any notice. The failure of one or more of Willtek's customers to continue purchasing products and services from us could have a material adverse effect on our results of operations, financial condition and prospects.

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

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

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

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

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

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

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

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

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

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

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

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

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

The New Jersey Department of Environmental Protection, or the NJDEP, had conducted an investigation in 1982 concerning disposal at a facility in New Jersey previously leased by our Boonton operations. Involved were certain materials formerly used by Boonton's manufacturing operations at that site and the possible effect of such disposal on the aquifer underlying the property. The disposal practices and the use of the materials in question were discontinued in 1978, prior to our acquisition of Boonton Electronics Corporation in 2000. We and the NJDEP have agreed on a plan to correct ground water contamination at the site, pursuant to which wells have been installed by us. The plan contemplates that the wells will be operated and that soil and water samples will be taken and analyzed until such time, which we are unable to predict, that contamination levels are satisfactory to the NJDEP. While we anticipate that the expenditures in connection with the site will not be substantial in future years, if we fail to continue to comply with the NJDEP plan, we could be subject to significant future liabilities and may incur significant future expenditures in connection with the former Boonton site. Furthermore, the determination of the existence and cost of any additional contamination caused by us at any of our U.S. or foreign sites could involve costly and time-consuming negotiations and litigation. While we are not aware of any material liabilities associated with any potential contamination at any of our respective properties, subsurface contamination may exist, and we may be exposed to material liability as a result of the existence of that contamination under various international, federal, state and local laws governing the environment.

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

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

Third parties could claim that we are infringing on their intellectual property rights, such as one Germany-based company that made intellectual property allegations against Willtek, 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.

In late September 2004, Willtek received written notice from a large, Germany-based company alleging that certain products of Willtek utilize (without license) intellectual property for mobile phone measuring instruments that are the subject of certain European patents owned by such company (the IP Allegations). We are currently in the process of investigating the IP Allegations. Our purchase agreement in connection with the acquisition of Willtek, among other things, provides for our right to seek indemnification from the former Willtek shareholders for certain liabilities arising from or related to the IP Allegations. However, such provisions may not adequately protect us in all circumstances, and we could potentially incur substantial liability and expenses, and our business, results of operations and financial condition could be materially adversely affected, in the event the Germany-based company asserts a successful claim of infringement against us.

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

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

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

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

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

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

Part of our strategy is to increase sales and build additional relationships in European and Asian markets as a result of the Willtek acquisition through Willteks experience in marketing and distributing products and developing strategic relationships in European and Asian markets. Risks inherent in marketing, selling and developing relationships in European and Asian markets include those associated with:

- economic conditions in European and Asian markets, including the impact of recessions in European and Asian economies and fluctuations in the relative values of the U.S. dollar, the Euro and Asian currencies;
- taxes and fees imposed by European and Asian governments that may increase the cost of products and services;
- greater difficulty in accounts receivable collection and longer collection periods;
- seasonal reductions in business activities in some parts of the world;

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

- political and economic instability, terrorism and war.

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

The new requirements of Section 404 of the Sarbanes-Oxley Act of 2002 will increase our operating expenses, and our acquisition of Willtek has increased the cost of compliance and increased the risk of achieving timely compliance.

Rules adopted by the SEC pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 require annual review and evaluation of our internal control systems, and attestation of these systems by our independent auditors. We are currently undergoing a review of our internal control systems and procedures and considering improvements that will be necessary in order for us to comply with the requirements of Section 404 by the end of our fiscal year ending December 31, 2007. This evaluation process will require us to hire additional personnel and outside advisory service firms and will result in additional accounting and legal expenses, all of which will cause our operating expenses to increase. In addition, the evaluation and attestation processes required by Section 404 are new and untested, and we may encounter problems or delays in completing the implementation of improvements and receiving a favorable review and attestation by our independent auditors. Our acquisition of Willtek has increased the cost and complexity of our compliance under Section 404 and increased the risk of achieving timely compliance.

The significant direct and indirect costs of the Willtek acquisition and integration could adversely affect our financial performance.

We incurred approximately $3.0 million of costs in connection with the Willtek acquisition, including:

- costs associated with integrating the businesses of the combined company;

- the fees of Capitalink, L.C. in connection with its delivery of a fairness opinion to our board of directors;

- costs and expenses for services provided by our lawyers, accountants and other professionals in connection with the Willtek acquisition; and

- the reasonable transaction expenses incurred by the former Willtek shareholders and Willtek that are related to the Willtek acquisition, up to a maximum amount of $1.0 million.

The transaction costs and expenses attributable to financial advisory, legal and accounting services incurred by us and the transaction expenses incurred by the former Willtek shareholders and Willtek that were paid by us under the terms of the Willtek stock purchase agreement were capitalized as a component of the purchase price. Goodwill associated with the Willtek acquisition is required to be tested at least annually for impairment, and are required to record a charge to earnings, in an amount that is not currently estimable, if there is an impairment in the value of such goodwill at a later date. Other intangible assets acquired in connection with the Willtek acquisition are amortized over their estimated useful lives.

As a result of the acquisition of Willtek, we have become a substantially larger and geographically dispersed organization, and if our management is unable to effectively manage the combined company going forward, our operating results will suffer.

As a result of the Willtek acquisition, we acquired approximately 146 new employees, most of whom are located in Germany. Prior to the Willtek acquisition, most of our employees were based at our headquarters in Parsippany, New Jersey. As a result, we face challenges inherent in efficiently managing an increased number of employees over large geographic distances, including the need to implement appropriate systems, policies, benefits and compliance programs. The inability to successfully manage the substantially larger and geographically dispersed organization, or any significant delay in achieving successful management, could have a material adverse effect on us and, as a result, on the market price of our common stock.

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

The former Willtek shareholders, together, beneficially own approximately 30% of the outstanding shares of our common stock as of March 27, 2007. Under the terms of the shareholders' agreement we entered into with the former Willtek shareholders at the closing of the Willtek acquisition, designees of Investcorp occupy two of seven seats on our board of directors, including the position of Chairman of the Board. Additionally, at each annual meeting, Investcorp is entitled to designate to our nominating committee up to two candidates for nomination for election to our seven-member board of directors, for so long as Investcorp's beneficial ownership levels exceed certain percentage thresholds. In addition, until the earlier of the second anniversary of the closing date of the Willtek acquisition or the date on which Investcorp no longer has the right to designate director candidates for nomination under the terms of the shareholders' agreement, in any election of directors, the former Willtek shareholders will be required to vote their shares for the election of Investcorp's director nominees and for the election of each of the other director candidates nominated by our board, subject to certain exceptions.

The post-acquisition concentration of ownership of our outstanding common stock with the former Willtek shareholders, combined with Investcorp's right to designate director candidates for nomination and the former Willtek shareholders voting obligations in the election of directors under the terms of the shareholders' agreement, enables the former Willtek shareholders to significantly influence the outcome of all matters, transactions and corporate actions that require approval of our shareholders, including the election and removal of directors and mergers or other business combination transactions, and could have the effect of delaying or preventing a change-in-control of the company or otherwise discourage a potential acquirer from attempting to obtain control of the company. This, in turn, could have an adverse effect on the market price of our common stock or prevent our shareholders from realizing a premium over the market price for their shares of common stock.

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Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

The Company leases a total of approximately 96,000 square feet of space worldwide. The Company s foreign facility in Ismaning, Germany occupy approximately 48,400 square feet. The lease terminates on December 31, 2010 and can be renewed for two five-year periods twelve months prior to the end of the expiring term.

In September 2002, the Company relocated its corporate headquarters and noise generation operations to the 45,700 square foot facility occupied by Boonton in Hanover Township, Parsippany, New Jersey. The term of this lease agreement is for ten years ending September 30, 2011.

The Company leased a 23,100 square foot facility located in Livingston, New Jersey, which was occupied by Microlab/FXR. The original term of the lease was for ten years commencing on March 4, 1996. During the year 2003, the Company exercised an option to cancel the lease as of the last day of February 2004. Additionally, the Company agreed to a separate three-month lease extension through May 31, 2004 and another two-month lease extension through July 31, 2004. As of July 2004, Microlab/FXR relocated its operations to the Hanover Township, Parsippany facility.

The Company also owns a 44,000 square foot facility located in Mahwah, New Jersey. In November 2000, the Company entered into a lease agreement with an unrelated third party for the entire facility. The triple net lease runs through August 1, 2013 and the tenant has an option to purchase the property up through August 1, 2012 during the lease term.

Item 3. Legal Proceedings

Reference is made to the discussion in Item 1 above regarding an investigation by the NJDEP concerning certain discontinued practices of the Company and their effect on the soil and ground water at a certain facility formerly occupied by the Company. No administrative or judicial proceedings have been commenced in connection with such investigation. The owner of the Parsippany-Troy Hills facility has notified the Company, that if the investigation proves to interfere with the sale of the property, it may seek to hold the Company liable for any resulting damages. Since May 1983, the owner has been on notice of this problem and has failed to institute any legal proceedings with respect thereto. While this does not bar the owner from instituting a suit, it is the opinion of the Companys legal counsel that it is doubtful that the owner would prevail on any claim due to the fact that such a claim would be barred by the statute of limitations. There are no other material legal proceedings known to the Company.

Item 4. Submission of Matters to a Vote of Security Holders

Not applicable.

PART II

Item 5. Market for Registrants Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The Common Stock of the Company has traded on the American Stock Exchange under the name Wireless Telecom Group, Inc. (Symbol: WTT) since September 12, 1994. The following table sets forth the high and low sales prices of the Companys Common Stock for the periods indicated as reported on the American Stock Exchange.

2006 Fiscal Year	High	Low
1st Quarter	$3.15	$2.42
2nd Quarter	3.00	2.44
3rd Quarter	2.62	2.15
4th Quarter	3.34	1.60
2005 Fiscal Year		
1st Quarter	$3.04	$2.42
2nd Quarter	2.84	2.40
3rd Quarter	3.08	2.55
4th Quarter	2.75	2.14

On March 27, 2007, the closing price of the Common stock of the Company as reported was $2.39. On March 27, 2007, the Company had 584 stockholders of record. These stockholders of record do not include non-registered stockholders whose shares are held in nominee or street name.

The table below details quarterly dividends declared for the past two years.

	Quarterly Dividends Per Share			
	1st	2nd	3rd	4th
2006	$.00	$.00	$.00	$.00

2005	$.03	$.03	$.03	$.03

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants, and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plan (excluding securities reflected in the previous columns)
Equity compensation plans approved by security holders	2,361,897	$2.47	1,315,250
Equity compensation plans not approved by security holders	-	-	-
Total	2,361,897	$2.47	1,315,250

Item 6. Selected Financial Data

The selected financial data presented below as of December 31, 2006, 2005, 2004, 2003 and 2002 was derived from the Company's financial statements. The Selected Statement of Operations Data and the Selected Per Share Data for 2006 and 2005 includes the results of Willtek for the twelve-months ended December 31, 2006 and for the six-months ended December 31, 2005, respectively. The Selected Balance Sheet Data for 2006 and 2005 also includes the balances of Willtek. The information set forth below is qualified in its entirety by reference to, and should be read in conjunction with the financial statements and related notes contained elsewhere in this Form 10-K.

Selected Statement of Operations Data:	**2006**	**2005**	**2004**	**2003**	**2002**
Net sales	$ 53,763,249	$ 38,770,644	$ 22,105,207	$ 19,724,240	$ 20,747,707
Income before income taxes	4,412,516	4,582,198	2,620,877	2,575,577	2,590,768
Provision for income taxes	888,405	1,038,234	289,400	812,582	823,150
Net income	3,524,111	3,543,964	2,331,477	1,762,995	1,767,618
Selected Per Share Data:					
Net income per common share – diluted	$ .14	$ .16	$ .13	$ .10	$ .10
Shares used in computation of earnings per share – diluted	25,919,663	21,696,981	17,578,185	17,113,472	17,340,264
Cash dividends per common share	$ .00	$ .12	$ .12	$ .09	$ .08
Selected Balance Sheet Data:					

Working capital	$ 21,945,787	$ 17,906,791	$ 23,559,525	$ 23,971,858	$ 23,510,803
Total assets	83,329,102	79,293,850	35,406,868	33,624,211	32,215,596
Total liabilities	26,433,351	26,682,317	5,928,036	5,404,159	4,328,638
Shareholders equity	56,895,751	52,611,533	29,478,832	28,220,052	27,886,958

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

Introduction

Wireless Telecom Group, Inc., and its operating subsidiaries, (collectively, the Company), develop, manufacture and market a wide variety of electronic noise sources, electronic testing and measuring instruments including power meters, voltmeters and modulation meters, high-power passive microwave components and handset production testers for wireless products. The Company's products have historically been primarily used to test the performance and capability of cellular/PCS and satellite communication systems and to measure the power of RF and microwave systems. Other applications include radio, radar, wireless local area network (WLAN) and digital television.

The financial information presented herein includes: (i) Consolidated Balance Sheets as of December 31, 2006 and 2005 (ii) Consolidated Statements of Operations for each of the years ended December 31, 2006, 2005 and 2004 (iii) Consolidated Statement of Changes in Shareholders Equity for the years ended December 31, 2006, 2005 and 2004 (iv) Consolidated Statements of Cash Flows for the years ended December 31, 2006, 2005 and 2004.

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 thereof of other variations thereon or comparable terminology, or by discussions of strategy that involve risks and uncertainties. These statements are based on the Company's current expectations of future events and are subject to a number of risks and uncertainties that may cause the Company's actual results to differ materially from those described in the forward-looking statements. These risks and uncertainties include, continued ability to maintain positive cash flow from results of operations, continued evaluation of goodwill for impairment and the Company's development and production of competitive technologies in our market sector, among others. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or projected. These risks and uncertainties are disclosed from time to time in the Company's filings with the Securities and Exchange Commission, the Company's press releases and in oral statements made by or with the approval of authorized personnel. The Company assumes no obligation to update any forward-looking statements as a result of new information or future events or developments.

Critical Accounting Policies

Management's discussion and analysis of the financial condition and results of operations are based upon the consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses for each period. The following represents a summary of the Company's critical accounting policies, defined as those policies that the Company believes are: (a) the most important to the portrayal of our financial condition and results of operations, and (b) that require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effects of matters that are inherently uncertain. Estimates and assumptions are made by management to assess the overall likelihood that an accounting estimate or assumption may require adjustment. Management assumptions have been reasonably accurate in the past, and future estimates or assumptions are likely to be calculated on the same basis.

In December 2004, the FASB issued a revision of SFAS No. 123 "Share-Based Payment" (No. 123R). The statement establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods and services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. The statement does not change the accounting guidance for share-based payments with parties other than employees. The statement requires a public entity to measure the cost of employee service received in exchange for an award of equity instruments based on the grant-date fair value of the award (with limited exception). That cost will be recognized over the period during which an employee is required to provide service in exchange for the award (usually the vesting period). The grant-date fair value of employee share options and similar instruments will be estimated using option-pricing models adjusted for the unique characteristics of these instruments. This new accounting standard, which was implemented during 2006, utilized the modified expected approach. The Company believes this standard will not have a material effect on its financial position and results of operations (see Note 8). Due to the Company's limited history with respect to forfeiters of incentive stock options, there is no estimate of expired or canceled options included in the option valuation.

Revenue from product sales, net of trade discounts and allowances, is recognized once delivery has occurred provided that persuasive evidence of an arrangement exists, the price is fixed or determinable, and collectibility is reasonably assured. Delivery is considered to have occurred when title and risk of loss have transferred to the customer. Sales to international distributors are recognized in the same manner.

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

Comprehensive income represents changes in equity during a period, except those resulting from investments by owners and distributions to owners. During the fiscal years ended December 31, 2006 and 2005, the components of "other comprehensive income (loss)" were the adjustments for employee benefit obligations and foreign currency translation gains and losses necessary to adopt SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other postretirement 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 its accounts receivable balance. For example, each additional 1% allowance required on our accounts receivable would reduce our income by approximately $98,000.

Income taxes

As part of the process of preparing the consolidated financial statements, the Company is required to estimate its income taxes in each of the jurisdictions in which it operates. The process incorporates an assessment of the current tax exposure together with temporary differences resulting from different treatment of transactions for tax and financial statement purposes. Such differences result in deferred tax assets and liabilities, which are included within the consolidated balance sheet. The recovery of deferred tax assets from future taxable income must be assessed and, to the extent that recovery is not likely, the Company establishes a valuation allowance. Increases in valuation allowances result in the recording of additional tax expense. Further, if the ultimate tax liability differs from the periodic tax provision reflected in the consolidated statements of operations, additional tax expense may be recorded. Our deferred tax asset at December 31, 2006, aggregates approximately $778,000. We must continue to be profitable in order to be able to utilize this asset in future periods.

Valuation of long-lived assets

The Company assesses the potential impairment of long-lived tangible and intangible assets, subject to amortization, whenever events or changes in circumstances indicate that the carrying value may not be recoverable. These assets, other than goodwill, are reviewed for impairment not less than annually and whenever events or

changes in circumstances indicate that the carrying value of any such asset may be impaired. The Companys management evaluates the recoverability of such assets by estimating future cash flows. If the sum of the undiscounted cash flows, expected to result from the use of the assets and their eventual disposition, is less than the carrying amount of the assets, management will recognize an impairment loss to the extent of the excess of the carrying amount of the assets over the fair value of the assets.

SFAS No. 142 requires that the Company perform an assessment of whether there is an indication that goodwill is impaired on an annual basis unless events or circumstances warrant a more frequent assessment. The impairment assessment involves, among other things, an estimation of the fair value of the reporting unit based on the discounted cash flow methodology. Significant assumptions used in our analysis include annual revenue growth rate from 12% to 15% and a discount rate of approximately 18%. If the assessment indicates that the fair value is less than the carrying value, then the goodwill would be subject to an impairment loss adjustment.

If the impairment review of goodwill, intangible assets subject to amortization, and other long-lived assets differ significantly from actual results, it could have a material adverse effect on the Companys results of operations and financial condition. For example, a 1% impairment adjustment on goodwill and other intangibles would reduce income by approximately $240,000 and $127,000, respectively.

Results Of Operations
Year Ended December 31, 2006 Compared to 2005

Net sales for the year ended December 31, 2006 were $53,763,249 as compared to $38,770,644 for the year ended 2005, an increase of $14,992,605 or 38.7%. This increase was primarily the result of the inclusion of Willteks sales for the entire twelve-month period ended December 31, 2006 as compared to the inclusion of only six-months of sales activity for the period ended December 31, 2005. The Company also recognized an overall increase in sales activity across all business groups in 2006.

The Companys gross profit on net sales for the year ended December 31, 2006 was $29,270,041 or 54.4% as compared to $20,887,070 or 53.9% as reported in the previous year. Gross profit margins are higher in 2006 than in 2005 primarily due to higher sales volume resulting from the inclusion of Willtek, whose products generally contribute higher gross profit margins within the Companys product mix, the result of increased overall demand for the Companys products, and lower manufacturing labor and direct overhead costs. Prices have remained relatively stable along with modest increases in manufacturing labor costs. The Company can experience variations in gross profit based upon the mix of product sales as well as variations due to revenue volume and economies of scale. The Company continues to rigidly monitor costs associated with material acquisition, manufacturing and production.

Operating expenses for the year ended December 31, 2006 were $25,082,645 or 46.7% of net sales as compared to $16,527,603 or 42.6% of net sales for the year ended December 31, 2005. For the year ended December 31, 2006 as compared to the prior year, operating expenses increased in dollars by $8,555,042. This increase is primarily due to the inclusion of Willteks operating expenses for the entire twelve-month period ended December 31, 2006 of $14,056,689 and the full twelve-month non-cash amortization of intangible assets related to the acquisition of Willtek of $1,180,000, as compared to the inclusion of only six-months of Willtek activity for the year ended December 31, 2005. These increases are partially offset by an overall reduction in operating expenses across all business groups resulting from the Companys implementation of an effective cost reduction plan and ongoing operational synergies.

Interest income increased by $57,272 for the year ended December 31, 2006. This increase was primarily due to increased returns on short-term investments in 2006. Other income decreased by $58,283 for the year ended December 31, 2006. This decrease was primarily due to a reclassification of expenses from operating activities to other expenses below the operating line, partially offsetting other income.

Net income was $3,524,111 or $.14 per share on a diluted basis, for the year ended December 31, 2006 as compared to $3,543,964 or $.16 per share on a diluted basis, for the year ended December 31, 2005, a slight decrease of $19,853 or .6%. The decrease was primarily due to the analysis mentioned above.

Results Of Operations
Year Ended December 31, 2005 Compared to 2004

Net sales for the year ended December 31, 2005 were $38,770,644 as compared to $22,105,207 for the year ended 2004, an increase of $16,665,437 or 75.4%. This increase was primarily the result of the inclusion of Willtek's sales for the six-month period ended December 31, 2005, as well as an overall increase in sales activity in 2005.

The Company's gross profit on net sales for the year ended December 31, 2005 was $20,887,070 or 53.9% as compared to $11,783,291 or 53.3% as reported in the previous year. Gross profit margins are slightly higher in 2005 than in 2004 primarily due to higher sales volume resulting from the inclusion of Willtek, whose products generally contribute higher gross profit margins within the Company's product mix, the result of increased overall demand for the Company's products, and lower manufacturing labor and direct overhead costs. Prices have remained relatively stable along with modest increases in manufacturing labor costs. The Company can experience variations in gross profit based upon the mix of product sales as well as variations due to revenue volume and economies of scale. The Company continues to rigidly monitor costs associated with material acquisition, manufacturing and production.

Operating expenses for the year ended December 31, 2005 were $16,527,603 or 42.6% of net sales as compared to $9,461,819 or 42.8% of net sales for the year ended December 31, 2004. For the year ended December 31, 2005 as compared to the prior year, operating expenses increased in dollars by $7,065,784. This increase is primarily due to the inclusion of Willtek's operating expenses for the six months ended December 31, 2005 of $7,888,466 and the six-month non-cash amortization of intangible assets related to the acquisition of Willtek of $590,000. These increases are partially offset by an overall reduction in operating expenses across all business groups resulting from the Company's implementation of an effective cost reduction plan and ongoing operational synergies, including last year's consolidation of the Microlab facility to Parsippany.

Interest income decreased by $136,215 for the year ended December 31, 2005. This decrease was primarily due to decreased returns on short-term investments in 2005. Other income increased by $56,384 for the year ended December 31, 2005. This increase was primarily due to realized losses in 2004 in a working capital management account, classified as cash equivalents due to the fact that they were highly liquid and readily convertible to cash, and intended to be liquidated by the Company on a short-term basis.

Net income was $3,543,964 or $.16 per share on a diluted basis, for the year ended December 31, 2005 as compared to $2,331,477 or $.13 per share on a diluted basis, for the year ended December 31, 2004, an increase of $1,212,487 or 52.0%. The increase was primarily due to the increased sales as mentioned above.

Liquidity and Capital Resources

The Company's working capital has increased by $4,038,996 to $21,945,787 at December 31, 2006, from $17,906,791 at December 31, 2005. At December 31, 2006, the Company had a current ratio of 2.6 to 1, and a ratio of debt to tangible net worth of 1.33 to 1. At December 31, 2005, the Company had a current ratio of 2.4 to 1, and a ratio of debt to tangible net worth of 1.82 to 1.

Operating activities provided $1,059,825 in cash for the year ending December 31, 2006 compared to $3,927,322 and $2,281,169 in cash flows for the years ending December 31, 2005 and 2004, respectively. For 2006, cash provided by operations was primarily due to net income, a non-cash adjustment for depreciation and amortization, and an increase in accounts payable and accrued expenses, partially off-set by an increase in accounts receivable, an increase in inventories, a decrease in long-term liabilities, and an increase in prepaid expenses and other assets. For 2005, cash provided by operations was primarily due to net income, a non-cash adjustment for depreciation and amortization, an increase in income taxes payable, a decrease in inventories, and a decrease in prepaid expenses and other current assets, partially offset by an increase in accounts receivable, a decrease in accounts payable and accrued expenses, and non-cash adjustments for provisions for pensions and similar obligations, warranty and inventory reserves and a deferred income tax benefit. For 2004, cash provided by operations was primarily due to net income, a decrease in prepaid expenses and other current assets, an increase in

accounts payable and accrued expenses, and a non-cash adjustment for depreciation and amortization, partially offset by an increase in inventories and a non-cash adjustment for deferred income tax benefit.

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

Net cash used for investing activities for 2006 amounted to $839,328 compared to $3,481,403 and $1,650,092 for the years ending December 31, 2005 and 2004, respectively. For 2006, the primary use of cash was for capital expenditures. For the years ended December 31, 2005 and 2004, the primary use of cash was for costs associated with the acquisition of Willtek and capital expenditures.

Financing activities provided $1,675,177 in cash for the year ended December 31, 2006. The primary source of these funds was from proceeds relating to the sale of the Company's treasury stock, and increases in notes payable to both a third-party institution and majority shareholder. Net cash used for financing activities was $2,292,376 and $1,113,026 for the years ending December 31, 2005 and 2004, respectively. In 2005 and 2004, the primary use of cash was for payment of dividends, partially offset by proceeds from the exercise of stock options.

For details of dividends paid in the years ended December 31, 2006, 2005 and 2004, refer to Item 5.

Table of Contractual Obligations

		Payments Due by Period			
	Total	Less than 1 Year	1–3 Years	4-5 Years	More than 5 Years
Mortgage	$2,998,505	$50,619	$176,687	$142,044	$2,629,155
Facilities Leases	5,309,710	1,357,543	3,617,034	335,133	-
Bank Note Payable	2,073,927	-	864,137	691,308	518,482
Operating/Equipment Leases	281,588	162,400	119,188	-	-
	$10,663,730	$1,570,562	$4,777,046	$1,168,485	$3,147,637

The Company believes that its financial resources from working capital provided by operations are adequate to meet its current needs.

Inflation and Seasonality

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

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

The Company's bank loan and the associated interest expense are not sensitive to changes in the level of interest rates. The Company's note is interest free through June 2008 and will bear interest at the annual rate of 4% beginning July 2008. The note requires twelve half-yearly payments beginning December 2008 until maturity at June 2014. As a result, the Company is not subject to market risk for changes in interest rates and will not be subjected to increased or decreased interest payments if market rates fluctuate and the Company is in a borrowing mode.

Foreign Exchange Rate Risk

The Company has one foreign subsidiary in Germany. The Company does business in more than fifty countries and currently generates approximately 77% of its revenues from outside North America. The Company's ability to sell its products in foreign markets may be affected by changes in economic, political or market conditions in the foreign markets in which the Company does business.

The Company's total assets in its foreign subsidiary was $13.4 million at December 31, 2006, translated into US dollars at the closing exchange rates. The company also acquires certain inventory from foreign suppliers and, as such, faces risk due to adverse movements in foreign currency exchange rates. These risks could have a material impact on the Company's results in future periods. The potential loss based on end of period balances and prevailing exchange rates resulting from a hypothetical 10% strengthening of the dollar against foreign currencies was not material in the period ended December 31, 2006. The Company does not currently employ any currency derivative instruments, futures contracts or other currency hedging techniques to mitigate its risks in this regard.

Industry Risk

The electronic test and measurement industry is cyclical which can cause significant fluctuations in sales, gross profit margins and profits, from year to year. It is difficult to predict the timing of the changing cycles in the electronic test and measurement industry.

Item 8. Financial Statements and Supplementary Data

The response to this item is submitted in a separate section of this report.

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

On October 19, 2006, the Company's Board of Directors, at the recommendation of the Audit Committee, unanimously agreed to end the engagement of Lazar, Levine & Felix LLP ("LL&F") as the Company's independent registered public accounting firm.

LL&F's reports on the Company's consolidated financial statements as of and for the fiscal years ended December 31, 2005 and 2004 did not contain an adverse opinion or disclaimer of opinion, and were not qualified or modified as to uncertainty, audit scope, or accounting principles.

In connection with the audits of the Company's consolidated financial statements for each of the fiscal years ended December 31, 2005 and 2004, there were no disagreements with LL&F on any matters of accounting principles or practices, financial statement disclosure, or auditing scope and procedures; which disagreements, if not resolved to the satisfaction of LL&F, would have caused them to make reference to the matter in their report. In addition, there were no reportable events as defined in Item 304 (a) (1) (v) of Regulation S-K.

The Company requested LL&F to furnish it a letter addressed to the Securities and Exchange Commission stating whether it agrees with the above statements. A copy of that letter, dated October 25, 2006, was filed as Exhibit 16.1 to Form 8-K filed on October 25, 2006.

Effective October 19, 2006, the Audit Committee of the Company engaged PKF, Certified Public Accountants, A Professional Corporation (PKF) as the Companys new independent registered public accounting firm to audit the Companys consolidated financial statements as of and for the year ended December 31, 2006.

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, as of the end of the period covered by this report. 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 were effective to provide reasonable assurance that the information required to be included in our Securities and Exchange Commission (SEC) reports is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, relating to Wireless Telecom Group, Inc., including our consolidated subsidiaries, and was made known to them by others within those entities, particularly during the period when this report was being prepared.

(b) Changes in Internal Controls Over Financial Reporting

In connection with the evaluation required by paragraph (d) of Rule 13a-15 under the Exchange Act, there was no change identified 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

During 2006, the audit committee conducted a self-evaluation. The results of the self-assessment, which were communicated to the Companys Board of Directors, concluded the committee performed effectively.

PART III

Item 10. Directors and Executive Officers of the Registrant

The information required under this item is set forth in the Companys Definitive Proxy Statement relating to the Companys 2007 annual meeting of shareholders to be held on or about July 17, 2007 and is incorporated herein by reference. Such Proxy Statement will be filed with the Commissions within 120 days of the Companys year-end.

Item 11. Executive Compensation

The information required under this item is set forth in the Companys Definitive Proxy Statement relating to the Companys 2007 annual meeting of shareholders to be held on or about July 17, 2007 and is incorporated herein by reference. Such Proxy Statement will be filed with the Commissions within 120 days of the Companys year-end.

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

The information required under this item is set forth in the Company's Definitive Proxy Statement relating to the Company's 2007 annual meeting of shareholders to be held on or about July 27, 2007 and is incorporated herein by reference. Such Proxy Statement will be filed with the Commissions within 120 days of the Company's year-end.

Item 13. Certain Relationships and Related Transactions

The information required under this item is set forth in the Company's Definitive Proxy Statement relating to the Company's 2007 annual meeting of shareholders to be held on or about July 27, 2007 and is incorporated herein by reference. Such Proxy Statement will be filed with the Commissions within 120 days of the Company's year-end.

Item 14. Principal Accountant Fees and Services

The information required under this item is set forth in the Company's Definitive Proxy Statement relating to the Company's 2007 annual meeting of shareholders to be held on or about July 27, 2007 and is incorporated herein by reference. Such Proxy Statement will be filed with the Commissions within 120 days of the Company's year-end.

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PART IV

Item 15. Exhibits and Financial Statement Schedules

(a)	(1)	Report of Independent Registered Public Accounting Firm Current Principal Auditors Report of Independent Registered Public Accounting Firm Predecessor Principal Auditors Report of Independent Registered Public Accounting Firm Other Auditors Consolidated Balance Sheets as of December 31, 2006 and 2005 Consolidated Statements of Operations for the Three Years in the Period ended December 31, 2006 Consolidated Statements of Changes in Shareholders Equity for the Three Years in the Period ended December 31, 2006 Consolidated Statements of Cash Flows for the Three Years in the Period ended December 31, 2006 Notes to Consolidated Financial Statements
	(2)	Financial Statement Schedules Schedule II Valuation and Qualifying Accounts 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		Certificate of Incorporation, as amended (1)
3.2		Amended and Restated By-laws (1)
3.3		Amendment to the Certificate of Incorporation (2)
3.4		Amendment to the Certificate of Incorporation (3)

4.2	Form of Stock Certificate (1)
10.1	Summary Plan Description of Profit Sharing Plan of the Registrant (1)
10.2	Incentive Stock Option Plan of the Registrant and related agreement (1)
10.3	Amendment to Registrants Incentive Stock Option Plan and related agreement (3)
10.4	Wireless Telecom Group, Inc. 2000 Stock Option Plan (4)
10.5	Stock Purchase Agreement dated December 21, 2001, by and among the Company, Microlab/FXR and Harry A. Augenblick (5)
10.6	Stock Purchase Agreement made as of December 21, 2001, by and among the Company and Microlab/FXR Employees Stock Ownership Plan (5)
10.7	Amended and Restated Stock Purchase Agreement, dated as of March 29, 2005, among the Company, Willtek Communications GmbH, Investcorp Technology Ventures, L.P., and Damany Holding GmbH (6)
10.8	Amended and Restated Loan Agreement, dated March 29, 2005, by and among Investcorp Technology Ventures, L.P., Willtek Communications GmbH and Wireless Telecom Group, Inc. (6)

10.9	Severance Agreement, dated March 29, 2005, between Wireless Telecom Group, Inc. and Paul Genova (8)
11.1	Computation of Per Share Earnings filed herewith
14	Code of Ethics (7)
23.1	Consent of Independent Registered Public Accounting Firm (PKF) filed herewith as Exhibit 23.1
23.2	Consent of Independent Registered Public Accounting Firm (Lazar, Levine & Felix LLP) filed herewith as Exhibit 23.2
23.3	Consent of Independent Registered Public Accounting Firm (Ernst & Young AG) filed herewith as Exhibit 23.3
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

(1) Filed as an exhibit to the Company's Registration Statement on Form S-18 (File No.33-42468-NY) and incorporated by reference herein.

(2) Filed as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 1994 and incorporated by reference herein.

(3) Filed as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 1995 and incorporated by reference herein.

(4) Filed as Annex B to the Definitive Proxy Statement of the Company filed on July 17, 2000 and incorporated by reference herein.

(5) Filed as an exhibit to the Company's Current Report on Form 8-K, dated December 21, 2001, filed with the Commission on January 4, 2002 and incorporated by reference herein.

(6) Filed as an exhibit to the Company's Current Report on Form 8-K, dated March 29, 2005, filed with the Commission on March 29, 2005 and incorporated by reference herein.

(7) Filed as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 2003 and incorporated by reference herein.

(8) Filed as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 2004 and incorporated by reference herein.

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 30, 2007 By: /s/ James M. Johnson
James M. Johnson
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.

Name	Title	Date
/s/ Savio Tung Savio Tung	Chairman of the Board	March 30, 2007
/s/ James M. Johnson James M. Johnson	Chief Executive Officer and Vice Chairman of the Board	March 30, 2007

/s/ Paul Genova Paul Genova	President, Chief Financial Officer	March 30, 2007
/s/ Henry Bachman Henry Bachman	Director	March 30, 2007
/s/ John Wilchek John Wilchek	Director	March 30, 2007
/s/ Michael Manza Michael Manza	Director	March 30, 2007
/s/ Andrew Scelba Andrew Scelba	Director	March 30, 2007
s/ Hazem Ben-Gacem Hazem Ben-Gacem	Director	March 30, 2007

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INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
Wireless Telecom Group, Inc.

Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying consolidated balance sheet of Wireless Telecom Group, Inc. and Subsidiaries as of December 31, 2006, and the related consolidated statement of income, shareholders equity, cash flows and the schedule listed in the accompanying index for the year then ended. These consolidated financial statements and the schedule are the responsibility of the Companys management. Our responsibility is to express an opinion on these consolidated financial statements and the schedule based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the schedule are free of material misstatement. An audit includes examining, on a test basis, evidence supporting amounts and disclosures in the financial statements and the schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements and the schedule. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Wireless Telecom Group, Inc. and Subsidiaries at December 31, 2006 and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the schedule presents fairly, in all material respects, the information set forth therein.

As discussed in Note 1, effective January 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123(R), Shared Based Payment. In addition, effective December 31 2006, the Company adopted Statement of Financial Accounting Standards No. 158, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans.

/s/ PKF

Certified Public Accountants
A Professional Corporation

New York, New York
March 30, 2007

Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying consolidated balance sheets of Wireless Telecom Group, Inc. and Subsidiaries as of December 31, 2005, and the related consolidated statements of income, shareholders equity, cash flows and the schedule listed in the accompanying index for each of the two years in the period ended December 31, 2005. These consolidated financial statements and the schedule are the responsibility of the Companys management. Our responsibility is to express an opinion on these consolidated financial statements and the schedule based on our audits. We did not audit the financial statements of Willtek Communications GmbH, a wholly owned subsidiary acquired on July 1, 2005, which statements reflect total assets of $11,190,478 as of December 31, 2005, and total revenues of $15,192,614 for the period from acquisition to December 31, 2005. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Willtek Communications GmbH, is based solely on the reports of the other auditors.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the schedule are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal controls over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, 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. An audit includes examining, on a test basis, evidence supporting amounts and disclosures in the financial statements and the schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements and the schedule. We believe that our audits and the report of the other auditors referred to above provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Wireless Telecom Group, Inc. and Subsidiaries at December 31, 2005, and the results of their operations and their cash flows for the two years in the period ended December 31, 2005 in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the schedule presents fairly, in all material respects, the information set forth therein.

/s/ Lazar, Levine and Felix LLP

New York, New York
March 31, 2006

Report of Independent Registered Public Accounting Firm

To the Shareholders of
Willtek Communications GmbH

We have audited the accompanying consolidated balance sheets of Willtek Communications GmbH as of December 31 and July 1, 2005, and the related consolidated statements of operations, shareholders' equity, and cash flows for the six-month period ended December 31, 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, 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. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Willtek Communications GmbH at December 31 and July 1, 2005, and the consolidated results of its operations and its cash flows for the six-month period ended December 31, 2005 in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young AG

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft

Munich, Germany
March 31, 2006

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CONSOLIDATED BALANCE SHEETS
Wireless Telecom Group, Inc.

-ASSETS-

	December 31,	
	2006	2005
CURRENT ASSETS:		
Cash and cash equivalents	**$15,683,411**	$13,851,12
Accounts receivable - net of allowance for doubtful accounts of $298,290 and $377,543 for 2006 and 2005, respectively	**9,499,555**	7,869,53
Inventories	**9,733,008**	8,376,75
Deferred income taxes - current	**121,581**	198,26
Prepaid expenses and other current assets	**1,023,399**	873,05
TOTAL CURRENT ASSETS	**36,060,954**	31,168,72
PROPERTY, PLANT AND EQUIPMENT - NET	**6,486,830**	6,681,69
OTHER ASSETS:		
Goodwill	**24,113,284**	24,066,28
Other intangible assets – net	**12,730,000**	13,910,00
Deferred income taxes – non-current	**656,363**	752,25
Other assets	**3,281,671**	2,714,88
TOTAL OTHER ASSETS	**40,781,318**	41,443,42
TOTAL ASSETS	**$83,329,102**	$79,293,85

- LIABILITIES AND SHAREHOLDERS’ EQUITY -

CURRENT LIABILITIES:		
Accounts payable	**$ 3,616,094**	$ 3,655,00
Accrued expenses and other current liabilities	**5,514,403**	4,873,93
Note payable - shareholder	**4,621,050**	4,145,40
Income tax payable	**313,000**	540,69
Current portion of mortgage payable	**50,619**	46,88
TOTAL CURRENT LIABILITIES	**14,115,166**	13,261,93
LONG TERM LIABILITIES:		
Notes payable - bank	**2,073,927**	1,505,13
Deferred income taxes	**4,481,576**	4,896,93
Mortgage payable	**2,947,886**	2,998,50
Deferred rent payable	**125,009**	156,94
Other long-term liabilities	**2,689,787**	3,862,86
TOTAL LONG TERM LIABILITIES	**12,318,185**	13,420,38

COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS EQUITY:		
Preferred stock, $.01 par value, 2,000,000 shares authorized, none issued	-	
Common stock, $.01 par value, 75,000,000 shares authorized, 28,653,551 and 28,647,551 shares issued for 2006 and 2005, respectively, 25,853,851 and 25,597,851 shares outstanding for 2006 and 2005, respectively	**286,536**	286,47
Additional paid-in capital	**36,070,025**	35,737,18
Retained earnings	**27,761,337**	24,237,22
Accumulated other comprehensive income	**(153,218)**	52,07
Treasury stock, at cost 2,799,700 and 3,049,700 shares, respectively	**(7,068,929)**	(7,701,42
	56,895,751	52,611,53
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	**$83,329,102**	$79,293,85

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

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CONSOLIDATED STATEMENTS OF OPERATIONS
Wireless Telecom Group, Inc.

	For the Year Ended December 31,		
	2006	2005	2004
NET SALES	**$53,763,249**	$38,770,644	$22,105,207
COSTS AND EXPENSES:			
Cost of sales	**24,493,208**	17,883,574	10,321,916
Selling, general and administrative expenses	**25,082,645**	16,527,603	9,461,819
Interest (income)	**(339,074)**	(281,802)	(418,017)
Interest expense	**228,645**	232,049	235,206
Other (income) expense	**(114,691)**	(172,978)	(116,594)
TOTAL COSTS AND EXPENSES	**49,350,733**	34,188,446	19,484,330
INCOME BEFORE PROVISION FOR INCOME TAXES	**4,412,516**	4,582,198	2,620,877
Provision for income taxes	**888,405**	1,038,234	289,400
NET INCOME	**$ 3,524,111**	$ 3,543,964	$ 2,331,477
NET INCOME PER COMMON SHARE:			
Basic	$0.14	$0.16	$0.14
Diluted	$0.14	$0.16	$0.13

WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:			
Basic	25,820,909	21,560,676	17,192,728
Diluted	25,919,663	21,696,981	17,578,185

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

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CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY
Wireless Telecom Group, Inc.

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock at Cost
Balance at December 31, 2003	$ 199,924	$13,100,857	$22,620,700	$ -	$(7,701,429)
Dividends - $.12					

			Gentek	Shiloh Industries
Amphenol	Gentex	Standard Motor Products		
ATC Technology Corp	Graco	Superior Industries International		
AVX	Methode Electronics	Sypris Solutions		
Commercial Vehicle Group	Modine Manufacturing	Thomas & Betts		
CTS	Nu Horizons Electronics	Titan International		

In 2009, the median sales revenue for the comparator group was $579 million while our revenue was $475 million.

Total Reward Strategies provides the Committee with the 50th and 75th percentiles of the comparator group for base salary, cash bonus, long-term incentives and total overall compensation. The Committee uses the 50th percentile as a primary reference point when determining compensation targets for each element of pay and adjusts each element of pay to reflect competitive market conditions. The objective of the executive compensation program is to provide overall compensation between the 50th and 75th percentiles of pay practices of the comparator group of companies. Actual target pay for an individual may be more or less than the 50th percentile based on the Committee’s evaluation of the individual’s performance and potential. Consistent with the Committee’s philosophy of pay-for-performance, incentive payments can exceed target levels only if overall Company financial targets are exceeded and will fall below target levels if overall financial goals are not achieved.

Elements of Compensation

The principal elements of compensation of our executive officers for 2010 were the following:

- Base salary;
- Annual cash incentive awards;
- Long-term cash-based incentive awards;
- Long-term equity-based incentive awards;
- Benefits and perquisites; and
- One-time retention award made in 2009 paid in 2010.

Although all executive officers are eligible to participate in the same compensation and benefit programs, only Mr. Corey has compensation that is governed by an employment agreement. The terms of Mr. Corey's employment agreement are described under "Employment Agreements."

Base Salaries

We use base salary as the foundation of our compensation program for our executive officers. The annual cash incentive compensation awards and long-term incentive awards are based on a percentage of base compensation. The base salary is set at competitive market levels to attract and retain our executive officers. Base salary levels for our executive officers are set on the basis of the executive's responsibilities, the current general industry and competitive market data, as discussed above. In each case, due consideration is given to personal factors, such as the individual's experience, competencies, performance and contributions, and to external factors, such as salaries paid to similarly situated executive officers by like-sized companies. The Committee considers the evaluation and recommendation of the CEO in determining the base salary of the other executive officers. The Committee approves all executive officer base salaries for the next calendar year at its December meeting which become effective January 1. Executive officers base salaries remain fixed throughout the year unless a promotion or other change in responsibilities occurs. For 2010, to continue to manage costs in an uncertain economic environment, the Company delayed salary increases for employees for three months. The NEOs' salary increases were delayed in line with this policy and became effective on April 1. The "Salary" column of the Summary Compensation Table lists the NEO's base salary for 2010.

Annual Incentive Awards

Our executive officers participate in the Annual Incentive Plan (“AIP”) which provides for annual cash payments based on the achievement of specific financial goals. We believe that a substantial portion of each executive’s overall compensation should be tied to quantifiable measures of financial performance. In January 2010, the Committee approved the Company’s 2010 AIP targets and metrics. The AIP targets are expressed as a percentage of the executive officer’s base salary. Per our competitive compensation review, it was determined that our existing percentages fell within competitive market targets; therefore, no changes to the AIP percentages were implemented for 2010.

The 2010 AIP is comprised of consolidated financial performance metrics for all participants. The financial performance elements, weighting, target metrics and achievement are summarized as follows:

	Weight	Target Metric	Achievement
Operating profit	35 %	$ 13.4 million	200 %
Return on invested capital	20 %	4.02 %	200 %
Free cash flow	20 %	$ (26.3) million	200 %
Sales growth	25 %	$ 150.0 million	200 %

The financial performance target metrics were based on the Company’s 2010 business plan and were intended to be aggressive but achievable based on industry conditions known at the time they were established. Under the 2010 AIP, the minimum level for achievement for each metric was based on 80% of target while the maximum level was based on 130% of target. The following table provides the 2010 AIP target as a percent of base salary, as a dollar amount and the dollar achievement for the NEOs:

	Target (Percent of Base Salary)	Target	Achieved
John C. Corey	80 %	$ 528,000	$ 1,056,000
George E. Strickler	55 %	189,200	378,400
Mark J. Tervalon	45 %	135,315	270,630
Thomas A. Beaver	45 %	126,585	253,170
Michael D. Sloan	45 %	101,250	202,500

For each performance metric, specific levels of achievement for minimum, target and maximum were set as described above. At target, 100% payout is achieved for each element of the plan; at maximum, 200% payout is achieved; and at minimum, 50% payout is achieved. Below the minimum target, no incentive compensation is earned. The AIP prorates incentive compensation earned between the minimum and maximum levels. The payment of compensation under the 2010 plan was subject to our overall performance and is included in the “Non-Equity Incentive Plan Compensation” column of the Summary Compensation Table.

Long-Term Incentive Awards

Under the Long-Term Incentive Plan (“LTIP”), all executive officers may be granted share options, restricted shares and other equity-based awards. Under the Long-Term Cash Incentive Plan (“LTCIP”), all executive officers may be granted awards payable in cash. We believe that long-term incentive awards are a valuable motivation and retention tool and provide a long-term performance incentive to management. The long-term award is calculated based on the fair value of the shares, shares equivalent or cash at the time of grant as a percentage of base salary. The percentages are typically representative of the competitive market data obtained during the annual compensation review process described above. For 2010, the Committee determined that in order to remain competitive in the overall compensation packages, the long-term incentive awards should approximate the 75th percentile of market. The expected awards are subject to adjustment based on differences in the scope of the executive officer's responsibilities, performance and ability.

The Company views long-term equity-based incentives as an important tool for retaining executive talent. For 2010, we granted to our executive officers time-based restricted common shares under the LTIP equal to the equivalent of 50% of the fair value calculation discussed above. If the executive officer remains an employee at the end of the three year vesting period, the time-based restricted common shares will vest and no longer be subject to forfeiture on that date. The grant date fair value of the time-based restricted common shares is included in the "Stock Awards" column of the Summary Compensation Table. The time-based restricted common shares awarded in 2010 are included in the "All Other Stock Awards" column of the Grants of Plan-Based Awards table.

The Company also views long-term performance-based incentives as key to linking our executive officers' overall compensation to shareholder return. For 2010, we granted performance-based restricted common share awards under the LTIP to our executive officers targeting approximately 25% of the long-term incentive fair value calculation discussed above. The awards are subject to forfeiture based on our total shareholder return ("TSR") over a three year period, when compared to TSR for a Peer Group of companies over the same period. If the Company's TSR is equal to the 50th percentile of the Peer Group TSR performance, the target number of common shares will vest and no longer be subject to forfeiture. If the Company's TSR is less than the 25th percentile (minimum) of the Peer Group TSR performance, all common shares will be forfeited and if the Company's TSR is equal to the 75th percentile (maximum) or greater of the Peer Group TSR performance, all common shares will vest and no longer be subject to forfeiture. Provided the executive officer remains employed, and depending on TSR performance, the number of common shares no longer subject to forfeiture prorates between the 25th and 75th percentile. The 2010 Peer Group is comprised of the following companies:

ATC Technology Corp	Gentex	Pulse Electronics
AVX	Graco	Shiloh Industries
Commercial Vehicle Group	Methode Electronics	Standard Motor Products
CTS	Modine Manufacturing	Superior Industries International
Esterline Technologies	Nu Horizons Electronics	Thomas & Betts
		Titan International

Also for 2010, we granted performance-based awards under the LTCIP to our executive officers targeting approximately 25% of the long-term incentive fair value calculation discussed above. The awards are payable in cash equivalent to the number of shares earned at the fair market value of our common shares on the date of vesting ("Phantom Shares"). The awards are subject to forfeiture based on our actual annual earnings per share ("EPS") performance over a three year period, when compared to minimum, target and maximum annual EPS amounts over the same period. For the 2010 grants, the annual performance period target EPS was or will be set using the Company Board approved annual budget. Minimum EPS was or will be established at 50% of target and maximum EPS was or will be established at 150% of target for each annual performance period. The annual EPS target for the 2010 performance period was established at a target of $(0.25). The metrics are intended to be aggressive but achievable based on industry conditions known at the time they are set. Provided the executive officer remains employed, and depending on annual EPS performance, the number of Phantom Shares no longer subject to forfeiture prorates between minimum and maximum amounts. Actual EPS performance below the minimum level results in no earned shares for the annual performance period. The amount of cash paid out at the end of the service and performance period will equal the number of Phantom Shares earned times the current fair value of the Company common shares at the date of vesting. For the 2010 annual performance period, achievement was at the maximum level. The performance–based phantom shares awarded in 2010 are included in the "Estimated Future Payouts Under Equity Incentive Plan Awards" columns of the Grants of Plan-Based Awards table.

The Committee's practice has been to approve the awards under the LTIP and LTCIP at the first regular meeting of the calendar year. Awards in 2010 were granted at the March 2010 meeting, the first regularly scheduled meeting. As a general practice, awards under the LTIP and LTCIP are approved once a year unless a situation arises whereby a compensation package is approved for a newly hired or promoted executive officer and equity-based compensation is a component.

Included in "Stock Awards" in the Summary Compensation Table for 2008 are equity-based performance awards granted under the LTIP. The amounts disclosed represent the fair value computed in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 718 at the date of grant. When the awards were granted, the financial performance target levels were intended to be aggressive but achievable based on information known at the time. The subsequent economic and industry downturn negatively affected the financial performance of the Company. This has resulted in no performance-based restricted common shares being earned under the 2008 performance-based awards.

Perquisites

The Company provides executive officers with perquisites the Company and the Committee believe are reasonable and consistent with its overall compensation program to better enable the Company to attract and retain superior employees for key positions. The Committee periodically reviews the levels of perquisites provided to executive officers.

Perquisites that are provided to executive officers are different by individual and could include an auto allowance, fully paid premiums for healthcare coverage, and country club dues. The incremental costs of the perquisites listed above for the NEOs are included in the "All Other Compensation" column of the Summary Compensation Table.

Employment Agreements

In early 2006, the Company entered into a negotiated employment agreement with Mr. Corey that provided for a minimum base salary of $525,000, participation in the annual incentive plan at a minimum target of 70% of base salary; a monthly car allowance; reimbursement of country club dues and a one-time initiation fee; reimbursement of Mr. Corey's premium on his life insurance policy; participation in the Company's customary benefit plans and reimbursement of out-of-pocket healthcare expenses not to exceed $5,000 per covered family member on an annual basis. In addition, if Mr. Corey is terminated by the Company without cause, the Company will be obligated to provide as severance the same compensation and benefits described below under "Potential Change in Control and Other Post-Employment Payments."

The Company has not entered into employment agreements with any other NEO.

Severance Plan

The Company adopted the Officers' and Key Employees' Severance Plan (the "Severance Plan") in October 2009. The NEOs covered under the Severance Plan include Messrs. Strickler, Tervalon, Beaver and Sloan. If a covered executive is terminated by the Company without cause, the Company will be obligated under the Severance Plan to pay the executive's salary for 12 months (18 months in the case of the Chief Financial Officer, Mr. Strickler) and continue health and welfare benefits coverage over the same period of time. Mr. Corey's severance protection is provided in his employment agreement as described below under "Potential Change in Control and Other Post-Employment Payments."

Retention Agreements

In October 2009, the Company entered into letter agreements to serve as one-time retention awards with the NEOs. The Committee deemed it to be in the best interest of the Company to provide an incentive to retain the current executive team in granting the retention awards. When granted, the awards were based on a year's base salary for Mr. Corey and Mr. Strickler and half of a year's base salary for Messrs. Tervalon, Beaver and Sloan. Under the letter agreements, because each NEO remained employed through October 5, 2010, he received a payment: $640,000 for Mr. Corey; $330,750 for Mr. Strickler; $146,000 for Mr. Tervalon; $137,250 for Mr. Beaver; and $101,750 for Mr. Sloan. The retention award is included in the "All Other Compensation" column of the Summary Compensation Table.

Termination and Change in Control Payments

The Company has entered into change in control agreements with our NEOs and certain other senior management employees. These agreements are designed to promote stability and continuity of senior management, both of which are in the best interest of Stoneridge and our shareholders. Our termination and change in control provisions for the NEOs are summarized below under "Potential Change in Control and Other Post-Employment Payments."

Deferred Compensation

Through December 2009, executive officers, as well as other key employees, could elect to have all or a portion of their base salary, annual incentive and equity-based compensation deferred until a future date pursuant to the Stoneridge, Inc. Employees' Deferred Compensation Plan. Due to minimal participation, in December 2009, the Company terminated the Employees' Deferred Compensation Plan.

Tax Deductibility of Compensation

Section 162(m) of the Internal Revenue Code generally disallows a tax deduction to public companies for compensation in excess of $1.0 million that is paid to a company's CEO and the other NEOs. Qualifying performance-based compensation will not be subject to the deduction limit if certain requirements are met.

The Committee believes that it is generally in the Company's best interest to attempt to structure performance-based compensation, including performance share award grants and annual incentive awards, to NEOs whose compensation may be subject to Section 162(m) in a manner that satisfies the statute's requirements. Currently, all annual compensation is designed to be deductible under Section 162(m); however, in the future, the Committee may determine that it is appropriate to pay compensation which is not deductible.

Accounting Treatment of Compensation

As one of many factors, the Committee considers the financial impact in determining the amount of and allocation of the different pay elements, including FASB ASC Topic 718 implications of the long-term incentives.

Compensation Committee Report

We have reviewed and discussed with management the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K and, based on that review and discussion, we recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement.

The Compensation Committee

Kim Korth, Chairwoman
Jeffrey P. Draime
Douglas C. Jacobs
William M. Lasky

Summary Compensation Table

The following table provides information regarding the compensation of our Chief Executive Officer, our Chief Financial Officer, and our three most highly compensated executive officers for 2010.

Name and Principal Position	Year	Salary ($)	Stock Awards ($)(1)	Non-Equity Incentive Plan Compensation ($)(2)	All Other Compensation ($)(3)	Total ($)
John C. Corey	2010	$ 655,000	$ 1,296,116	$ 1,056,000	$ 707,557	$ 3,714,673
President & Chief	2009	615,439	304,372	204,800	71,799	1,196,410
Executive Officer	2008	640,000	1,310,709	480,768	85,679	2,517,156
George E. Strickler	2010	340,688	432,500	378,400	353,335	1,504,923
Executive Vice President,	2009	324,430	87,907	72,765	27,290	512,392
Chief Financial Officer & Treasurer	2008	330,750	379,104	194,359	35,325	939,538
Mark J. Tervalon	2010	298,525	289,948	270,630	153,199	1,012,302
Vice President & President	2009	283,987	53,091	52,560	21,995	411,633
of the Stoneridge Electronics Division	2008	292,000	228,324	157,943	22,368	700,635
Thomas A. Beaver	2010	279,600	238,740	253,170	154,508	926,018
Vice President of Global	2009	269,221	42,244	49,410	20,985	381,860
Sales & Systems Engineering	2008	274,500	182,013	151,565	30,902	638,980
Michael D. Sloan	2010	219,790	166,080	202,500	105,312	693,682
Vice President & President	2009	203,500	22,769	36,630	3,291	266,190
of the Stoneridge Control	2008	202,972	51,101	61,813	11,558	327,444
Devices Division						

(1) The amounts included in the “Stock Awards” column represent the grant date fair value of common share awards computed in accordance with FASB ASC Topic 718. For a discussion of valuation assumptions, see Note 7 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2010. For 2010, time- and performance-based common share awards were issued to our NEOs. The performance-based awards were expected to vest and no longer be subject to forfeiture at the target level when granted. For 2009, all common share awards issued to the NEOs were time-based and amounts included in the above table are the maximum earnable under the award. For 2008, time- and performance-based common share awards were issued to our NEOs. The performance-based awards were expected to vest and no longer be subject to forfeiture at the target levels when granted. The following table summarizes grant date fair value of the time-and performance-based awards as well as the maximum award that could be earned under the performance-based grants for the 2008 common share awards:

	Time Based	Target Performance Based	Maximum Performance Based

Mr. Corey	$ 628,968	$ 681,741	$ 1,022,612
Mr. Strickler	182,013	197,091	295,637
Mr. Tervalon	109,854	118,470	177,705
Mr. Beaver	87,237	94,776	142,164
Mr. Sloan	47,388	50,619	75,929

Please see the “Grants of Plan-Based Awards for 2010” table for more information regarding the restricted common share awards granted in 2010.

(2) The amount shown for each NEO in the “Non-Equity Incentive Plan Compensation” column is attributable to an annual incentive award earned under the AIP in the fiscal year listed.

(3) The amounts shown for 2010 in the "All Other Compensation" column are comprised of the following:

	Auto Allowance	Life Insurance	Gross-Up on Life Insurance	Healthcare Costs	Gross-Up on Healthcare Costs	Group Term Life Insurance	Club Dues	Retention Award	Health Insurance Premium	Total
Mr. Corey	$ 14,400	$ 14,056	$ 9,900	$ 7,917	$ 5,576	$ 7,524	$ 5,174	$ 640,000	$ 3,010	$ 707,557
Mr. Strickler	9,000	-	-	-	-	4,847	5,000	330,750	3,738	353,335
Mr. Tervalon	-	-	-	-	-	240	1,374	146,000	5,585	153,199
Mr. Beaver	14,400	-	-	-	-	1,032	-	137,250	1,826	154,508
Mr. Sloan	-	-	-	-	-	552	-	101,750	3,010	105,312

Grants of Plan-Based Awards for 2010

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1)			Estimated Future Payouts Under Equity Incentive Plan Awards (2)			All Other Stock Awards: Number of Shares of Stock or Units (#)(3)	Grant Date Fair Value of Stock and Option Awards ($)(4)
Name	Grant Date	Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)		
John C. Corey		$ 264,000	$ 528,000	$ 1,056,000					
	2/14/2010				32,850	65,700	98,550	121,600	$ 1,296,116
					27,950	55,900	83,850		386,828
George E. Strickler		94,600	189,200	378,400					
	2/14/2010				10,950	21,900	32,850	40,600	432,500
					9,350	18,700	28,050		129,404
Mark J. Tervalon		67,658	135,315	270,630					
	2/14/2010				7,350	14,700	22,050	27,200	289,948
					6,250	12,500	18,750		86,500
Thomas A. Beaver		63,293	126,585	253,170					
	2/14/2010				6,050	12,100	18,150	22,400	238,740
					5,150	10,300	15,450		71,276
Michael D. Sloan		50,625	101,250	202,500					
	2/14/2010				4,200	8,400	12,600	15,600	166,080
					3,600	7,200	10,800		49,824

(1) The amounts shown reflect awards granted under the Company's 2010 AIP. In December 2009, the Compensation Committee approved the 2010 target AIP awards expressed as a percentage of the executive officer's 2010 approved base salary, and Company performance measures for the purpose of determining the amount paid out under the AIP for each executive officer for the year ended December 31, 2010. Please see Compensation Discussion and Analysis – Annual Incentive Awards for more information regarding the Company's 2010 awards and performance measures.

(2) The amounts shown reflect grants made under the Company's LTIP and LTCIP. Performance-based restricted common shares ("PBRS") were granted under the LTIP and are listed first in the table. The amount of PBRS that vest and are no longer subject to forfeiture will be determined on the third anniversary of the date of grant (assuming the grantee is still employed on that date) based on total shareholder return of the Company compared to that of a defined peer group. Phantom shares were granted under the LTCIP and are listed second in the table. The amount of phantom shares that vest and are no longer subject to forfeiture will be determined on the third anniversary of the grant date (assuming the grantee is still employed on that date) based on the Company's EPS performance. The phantom shares will be paid out in cash equivalent to the number of shares that vest at the fair market value of the Company's common shares on the date of vesting. Please see Compensation Discussion and Analysis – Long-Term Incentive Awards.

(3) The amounts shown reflect grants of time-based restricted common shares ("TBRS") under the Company's LTIP. The TBRS granted on February 14, 2010 will vest and no longer be subject to forfeiture on the third anniversary of the date of grant (assuming the grantee is still employed on that date).

(4) The amounts included in "Fair Value of Awards" column represent the aggregate grant date fair value of the awards computed in accordance with FASB ASC Topic 718. For a discussion of valuation assumptions, see Note 7 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2010.

Outstanding Equity Awards at Year-End

	Option Awards					Stock Awards	
Name	Number of Securities Underlying Unexercised Options Exercisable (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)(1)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)(1)
John C. Corey	10,000	$ 15.725	5/10/2014	58,400 (2)	$ 922,136	94,950 (5)	$ 1,499,261
				170,040 (3)	2,684,932	98,550 (6)	1,556,105
				121,600 (4)	1,920,064	83,850 (7)	1,323,992
George E. Strickler	-	-	-	16,900 (2)	266,851	27,450 (5)	433,436
				49,110 (3)	775,447	32,850 (6)	518,702
				40,600 (4)	641,074	28,050 (7)	442,910
Mark J. Tervalon	4,000	10.385	2/4/2013	10,200 (2)	161,058	16,500 (5)	260,535
				29,660 (3)	468,331	22,050 (6)	348,170
				27,200 (4)	429,488	18,750 (7)	296,063
Thomas A. Beaver	20,000	10.385	2/4/2013	8,100 (2)	127,899	13,200 (5)	208,428
				23,600 (3)	372,644	18,150 (6)	286,589
				22,400 (4)	353,696	15,450 (7)	243,956
Michael D. Sloan	-	-	-	4,400 (2)	69,476	7,050 (5)	111,320
				12,720 (3)	200,849	12,600 (6)	198,954
				15,600 (4)	246,324	10,800 (7)	170,532

(1) Based on the closing price of the Company's common shares on December 31, 2010 ($15.79), as reported on the New York Stock Exchange.

(2) These time-based restricted common shares vested on March 2, 2011.

(3) These time-based restricted common shares vest on March 8, 2012.

(4) These time-based restricted common shares vest on February 14, 2013.

(5) These performance-based restricted common shares were scheduled to vest on March 2, 2011 subject to achievement of specified financial performance metrics. Achievement of the specified performance metrics was not met and these performance-based common shares were forfeited on March 2, 2011.

(6) These performance-based restricted common shares are scheduled to vest on February 14, 2013 subject to achievement of specified financial performance metrics.

(7) These phantom shares are scheduled to vest on February 14, 2013 subject to achievement of specified financial performance metrics.

Option Exercises and Stock Vested for 2010

Name	Stock Awards Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)
John C. Corey	52,400	$ 420,510
George E. Strickler	16,500	134,850
Mark J. Tervalon	9,500	76,238
Thomas A. Beaver	7,750	62,194
Michael D. Sloan	5,000	40,125

Nonqualified Deferred Compensation for Fiscal Year 2010

Name	Aggregate Earnings in Last FY ($)	Aggregate Withdrawals/ Distributions ($)	Aggregate Balance at Last FYE ($)
John C. Corey	$ 22,115	$ 535,678	$ -
George E. Strickler	-	-	-
Mark J. Tervalon	473	11,469	-
Thomas A. Beaver	-	-	-
Michael D. Sloan	-	-	-

Potential Change in Control and Other Post-Employment Payments

In July 2007, we entered into an Amended and Restated Change in Control Agreement (the “CIC Agreement”) with each NEO and certain other senior management employees. Our change in control agreements were designed to provide for continuity of management in the event of change in control of the Company. We think it is important for our executives to be able to react neutrally to a potential change in control and not be influenced by personal financial concerns. We believe our arrangements are consistent with market practice. For our NEOs, we set the level of benefits at two times base salary and average incentive award (described in detail below) to remain competitive with our select peer group. Finally, all payments under the CIC Agreement are conditioned on a non-compete, non-solicitation and non-disparagement agreement. The CIC Agreements replaced and superseded change in control agreements we previously entered into with these employees. The Committee determined that amending and restating prior agreements was necessary to comply with recently adopted final regulation under Section 409A of the Code, to add a non-competition clause for our protection, to address ambiguity in the prior agreements and to add a conditional gross up of any excise tax imposed under Section 280G of the Internal Revenue Code. In December 2008, we amended the CIC Agreement to comply with the requirements of Revenue Ruling 2008-13, which requires that all payments to an executive be based on actual results for performance-based payments.

We believe that the CIC Agreements should compensate executives displaced by a change in control and not serve as an incentive to increase personal wealth. Therefore, our CIC Agreements are “double trigger” arrangements. In order for the executives to receive the payments and benefits set forth in the agreement, both of the following must occur:

- a change in control of the Company; and

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- a triggering event:
- the Company separates NEO from service, other than in the case of a termination for cause, within two years of the change in control; or
- NEO separates from service for good reason (defined as material reduction in NEO's title, responsibilities, power or authority, or assignment of duties that are materially inconsistent to previous duties, or material reduction in NEO's compensation and benefits, or require NEO to work from any location more than 100 miles from previous location) within two years of the change in control.

If the events listed above occur and the executive delivers a release to the Company, the Company will be obligated to provide the following to the executive:

- two times the greater of the NEO's annual base salary at the time of a triggering event or at the time of the occurrence of a change in control;
- two times the greater of the NEO's average annual incentive award over the last three completed fiscal years or the last five completed fiscal years;
- an amount equal to the pro rata amount of annual incentive compensation the NEO would have been entitled to at the time of a triggering event calculated based on the performance goals that were achieved in the year in which the triggering event occurred;
- continued life and health insurance benefits for twenty-four months following termination; and
- a gross-up payment to provide the NEO with an amount, on an after-tax basis, equal to any excise taxes payable by the NEO under tax laws in connection with payments described above. However, if the NEO's total payments described above fall above the 280G limit (within the meaning of Section 280G of the Code) by 110% or less, then the total payments will be reduced to avoid triggering excise tax.

Upon a change in control as defined in the LTIP, the restricted common shares included on the "Outstanding Equity Awards at Year-End" table that are not performance-based vest and are no longer subject to forfeiture; the performance-based restricted common shares included on the "Outstanding Equity Awards at Year End" table vest and are no longer subject to forfeiture based on target achievement levels.

In October 2009, the Company adopted the Officers' and Key Employees' Severance Plan (the "Severance Plan"). The named executive officers covered under the Severance Plan include Messrs. Strickler, Tervalon, Beaver and Sloan. If a covered executive is terminated by the Company without cause, the Company will be obligated under the Severance Plan to pay the executive's salary for 12 months (18 months in the case of the Chief Financial Officer, Mr. Strickler) and continue health and welfare benefits coverage over the same period of time. Mr. Corey's severance protection is provided in his employment agreement as described above.

No severance is payable if the NEO's employment is terminated for "cause," if they resign, or upon death.

Value of Payment Presuming Hypothetical December 31, 2010 Termination Date

Upon resignation, no payments are due to any NEO in the table below. Assuming the events described in the table below occurred on December 31, 2010, each NEO would be eligible for the following payments and benefits:

	Termination Without Cause	Non-Termination Change in Control	Change in Control and NEO Resigns for Good Reason or is Terminated Without Cause	Disability	Death
John C. Corey					
Base Salary	$ 1,320,000	$ -	$ 1,320,000	$165,000	$-
Annual Incentive Award	1,161,045	-	1,161,045	-	-
Long-term Incentive Award	478,884	783,628	783,628	478,884	478,884
Unvested and Accelerated Restricted Common Shares	3,071,692	5,527,132	5,527,132	1,482,155	1,482,155
Unvested and Accelerated Performance Common Shares	560,011	2,919,571	2,919,571	1,503,998	1,503,998
Health & Welfare Benefits	55,937	-	55,937	-	-
Tax Gross-Up	-	-	1,626,114	-	-
Total	$ 6,647,569	$ 9,230,331	$ 13,393,427	$3,630,037	$3,465,037
George E. Strickler					
Base Salary	$ 516,000	$ -	$ 688,000	$-	$-
Annual Incentive Award	-	-	430,349	-	-
Long-term Incentive Award	138,298	226,306	226,306	138,298	138,298
Unvested and Accelerated Restricted Common Shares	912,867	1,683,372	1,683,372	453,831	453,831
Unvested and Accelerated Performance Common Shares	186,972	930,031	930,031	459,884	459,884
Health & Welfare Benefits	17,953	-	23,938	-	-
Tax Gross-Up	-	-	465,827	-	-
Total	$ 1,772,090	$ 2,839,709	$ 4,447,823	$1,052,013	$1,052,013
Mark J. Tervalon					
Base Salary	$ 300,700	$ -	$ 601,400	$-	$-
Annual Incentive Award	-	-	320,755	-	-
Long-term Incentive Award	83,544	136,709	136,709	83,544	83,544
Unvested and Accelerated Restricted Common Shares	563,561	1,058,877	1,058,877	590,546	590,546
Unvested and Accelerated Performance Common Shares	125,259	603,178	603,178	289,308	289,308
Health & Welfare Benefits	17,094	-	34,189	-	-
Tax Gross-Up	-	-	280,702	-	-
Total	$ 1,090,158	$ 1,798,764	$ 3,035,810	$963,398	$963,398
Thomas A. Beaver					
Base Salary	$ 281,300	$ -	$ 562,600	$-	$-
Annual Incentive Award	-	-	302,763	-	-
Long-term Incentive Award	66,447	108,731	108,731	66,447	66,447
Unvested and Accelerated Restricted Common Shares	451,673	854,239	854,239	481,595	481,595

Unvested and Accelerated Performance Common Shares	103,159	492,648	492,648	234,394	234,394
Health & Welfare Benefits	6,293	-	12,586	-	-
Tax Gross-Up	-	-	-	-	-
Total	$ 908,872	$ 1,455,618	$ 2,333,567	$782,436	$782,436
Michael D. Sloan					
Base Salary	$ 225,000	$ -	$ 450,000	$-	$-
Annual Incentive Award	-	-	200,629	-	-
Long-term Incentive Award	35,830	58,631	58,631	35,830	35,830
Unvested and Accelerated Restricted Common Shares	260,188	516,649	516,649	315,800	315,800
Unvested and Accelerated Performance Common Shares	71,845	320,537	320,537	141,935	141,935
Health & Welfare Benefits	12,830	-	25,660	-	-
Tax Gross-Up	-	-	138,711	-	-
Total	$ 605,693	$ 895,817	$ 1,710,817	$493,565	$493,565

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DIRECTORS' COMPENSATION

Cash Compensation

Each non-employee director of the Company receives a retainer of $35,000 per year for serving as a director of the Company, $1,500 for attending each meeting of the Board and $750 for participating in each telephonic meeting of the Board. The non-executive Chairman receives twice the annual retainer and Board meeting fees than the other directors. Committee members receive $1,000 for attending such meetings and $500 for participating in telephonic meetings. The Audit Committee chairman receives additional compensation of $10,000 per year and the Compensation Committee and Nominating and Corporate Governance Committee chairperson each receives additional compensation of $5,000 per year. Beginning in 2009, directors were paid an additional cash award granted to supplement the fair value of the annual grant of restricted common shares due to the depressed market value of our common shares and the number of shares available under the Directors' Restricted Shares Plan at the date of grant. The final payment of this award occurred in 2010. Additionally in 2010, two members of a Board received additional compensation of $70,000 each in connection with their work on a special project. Directors who are also employees of the Company are not paid additional compensation for serving as a director. The Company reimburses out-of-pocket expenses incurred by all directors in connection with attending Board and committee meetings.

Equity Compensation

Pursuant to the Directors' Restricted Shares Plan, non-employee directors are eligible to receive awards of restricted common shares. In 2010, Mr. Lasky was granted 15,880 restricted common shares and all other directors were granted 7,940 restricted common shares. The restrictions for those common shares lapsed on February 14, 2011.

Director Compensation Table

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($) (1)	Total ($)
Jeffrey P. Draime	$ 69,361	$ 54,945	$ 124,306
Douglas C. Jacobs	83,361	54,945	138,306
Ira C. Kaplan	67,233	54,945	122,178
Kim Korth	143,611	54,945	198,556
William M. Lasky	143,222	109,890	253,112
Paul J. Schlather	136,483	54,945	191,428

(1) The amounts included in the "Stock Awards" column represent fair value at grant date of restricted common share awards to directors, computed in accordance with FASB ASC Topic 718. For a discussion of the valuation assumptions, see Note 7 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2010.

OTHER INFORMATION

Shareholder's Proposals for 2012 Annual Meeting of Shareholders

Proposals of shareholders intended to be presented, pursuant to Rule 14a-8 under the Securities Exchange Act of 1934 (the "Exchange Act"), at the Company's 2012 Annual Meeting of Shareholders must be received by the Company at Stoneridge, Inc., 9400 East Market Street, Warren, Ohio 44484, on or before December 14, 2011, for inclusion in the Company's proxy statement and form of proxy relating to the 2012 Annual Meeting of Shareholders. In order for a shareholder's proposal outside of Rule 14a-8 under the Exchange Act to be considered timely within the meaning of Rule 14a-4(c) of the Exchange Act, such proposal must be received by the Company at the address listed in the immediately preceding sentence not later than February 24, 2012.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires the Company's directors and executive officers, and owners of more than 10% of the Company's common shares, to file with the SEC and the NYSE initial reports of ownership and reports of changes in ownership of the Company's common shares and other equity securities. Executive officers, directors and owners of more than 10% of the common shares are required by SEC regulations to furnish the Company with copies of all forms they file pursuant to Section 16(a).

To the Company's knowledge, based solely on the Company's review of the copies of such reports furnished to the Company and written representations that no other reports were required during the fiscal year ended December 31, 2010, all Section 16(a) filing requirements applicable to the Company's executive officers, directors and more than 10% beneficial owners were complied with, except Mr. Corey and Mr. Tervalon each filed late one Form 4 related to one transaction.

Other Matters

If the enclosed proxy is executed and returned to us via mail, telephone or Internet, the persons named in it will vote the common shares represented by that proxy at the meeting. The form of proxy permits specification of a vote for the election of directors as set forth under "Election of Directors" above, the withholding of authority to vote in the election of directors, or the withholding of authority to vote for one or more specified nominees. When a choice has been specified in the proxy, the common shares represented will be voted in accordance with that specification. If no specification is made, those common shares will be voted at the meeting to elect directors as set forth under "Election of Directors" above, to elect three years with respect to the advisory vote on conducting future advisory votes on executive compensation, and FOR the proposals (i) to ratify the appointment of Ernst & Young as the Company's independent auditors for the year ending December 31, 2011; (ii) to approve of the advisory resolution on executive compensation; and (iii) to approve the Amended AIP.

Director nominees who receive the greatest number of affirmative votes will be elected directors and the choice selected by the most shareholders will be deemed the shareholders' choice on the frequency of the Company's executive compensation advisory vote. Broker non-votes and abstaining votes will be counted as "present" for purposes of determining whether a quorum has been achieved at the meeting, but will not be counted in favor of or against any nominee. The voting standards for each of the other known matters to be considered at the meeting are set forth within the above proposals. All other matters to be considered at the meeting require for approval the favorable vote of a majority of the shares entitled to vote and represented at the meeting in person or by proxy.

The holders of shares of a majority of the common shares outstanding on the record date, present in person or by proxy, shall constitute a quorum for the transaction of business to be considered at the Annual Meeting of

Shareholders.

If any other matter properly comes before the meeting, the persons named in the proxy will vote thereon in accordance with their judgment. The Company does not know of any other matter that may be presented for action at the meeting and the Company has not received any timely notice that any of the Company's shareholders intend to present a proposal at the meeting.

By order of the Board of Directors,
ROBERT M. LOESCH,
Secretary

Dated: April 12, 2011

APPENDIX A

STONERIDGE, INC.

AMENDED ANNUAL INCENTIVE PLAN

Section 1. Purpose

The purpose of the Stoneridge, Inc. (the "Company") Annual Incentive Plan, as amended, (the "Plan") is to provide an opportunity to the Company's (and the Company's Subsidiaries') officers and other key employees selected by the Committee (defined below) to earn annual incentive or bonus awards in order to motivate those persons to put forth maximum efforts toward the growth, profitability and success of the Company and its Subsidiaries (defined below) and to encourage such individuals to remain in the employ of the Company or a Subsidiary. Awards for participating employees under the Plan shall depend upon corporate and individual performance measures as determined by the Committee (defined below) for the Performance Year (defined below).

Section 2. Definitions

In this Plan, unless the context clearly indicates otherwise, words in the masculine gender shall be deemed to include a reference to the female gender, any term used in the singular also shall refer to the plural, and the following terms, when capitalized, shall have the meaning set forth in this Section 2:

(a) "Award" means a potential cash benefit payable or cash benefit paid to a person in accordance with the terms and conditions of the Plan.

(b) "Beneficiary" means the person or persons designated in writing by the Grantee as his or her beneficiary in respect of an Award; or, in the absence of an effective designation, or if the designated person or persons predecease the Grantee, the Grantee's Beneficiary shall be the person or persons who acquire by bequest or inheritance the Grantee's rights in respect of an Award. In order to be effective, a Grantee's designation of a Beneficiary must be on file with the Company before the Grantee's death. Any such designation may be revoked and a new designation substituted therefor at any time before the Grantee's death.

(c) "Board of Directors" or "Board" means the Board of Directors of the Company.

(d) "Code" means the Internal Revenue Code of 1986, as amended from time to time.

(e) "Committee" means the Compensation Committee appointed by the Board for the purpose of administering the Plan. The Committee shall consist of three members of the Board of Directors each of whom shall qualify, at the time of appointment and thereafter, as an "outside director" within the meaning of Section 162(m) of the Code (or a successor provision of similar import), as in effect from time to time.

(f) "Company" means Stoneridge, Inc.

(g) "Covered Executive" means an individual who is determined by the Committee to be reasonably likely to be a "covered employee" under Section 162(m) of the Code as of the end of the Company's taxable year for which an Award to the individual will be deductible and whose Award would exceed the deductibility limits under Section 162(m) if such Award is not Performance-Based Compensation.

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(h) "Disability" or "Disabled" means having a total and permanent disability as defined in Section 22(e)(3) of the Code.

(i) "Grantee" means an officer or key employee of the Company or a Subsidiary to whom an Award has been granted under the Plan.

(j) "Performance Objective" means the goal or goals identified by the Committee that will result in an Award if the target for the Performance Year is satisfied.

(k) "Performance Year" means the then current fiscal year of the Company.

(l) "Performance-Based Compensation" means compensation that is intended to qualify as "performance-based compensation" under Section 162(m) of the Code and the regulations thereunder.

(m) "Subsidiary" means a corporation, association, partnership, limited liability company, joint venture, business trust, organization, or business of which the Company directly or indirectly through one or more intermediaries owns at least fifty percent (50%) of the outstanding capital stock (or other shares of beneficial interest) entitled to vote generally in the election of directors or other managers of the entity.

Section 3. Administration

(a) The Plan shall be administered by the Committee. The Committee shall have all the powers vested in it by the terms of the Plan, such powers to include authority (within the limitations described herein) to select Grantees under the Plan, to determine the time when Awards will be granted, to determine whether performance objectives and other conditions for earning Awards have been met, to determine whether Awards will be paid at the end of the Performance Year, and to determine whether an Award or payment of an Award should be reduced or eliminated. The Committee is authorized, subject to the provisions of the Plan, to establish such rules and regulations as it deems necessary for the proper administration of the Plan and to make such determinations and interpretations and to take such action in connection with the Plan and any Awards granted hereunder as it deems necessary or advisable. All determinations and interpretations made by the Committee shall be binding and conclusive on all persons participating in the Plan and their legal representatives.

(b) The Committee may not delegate to any individual the authority to make determinations concerning that individual's own Awards, or the Awards of any Covered Executive or any executive officer (as defined pursuant to the Securities Exchange Act of 1934). Except as provided in the preceding sentence, as to the selection of and grant of Awards to Grantees who are not Covered Executives or executive officers of the Company, the Committee may delegate its responsibilities to members of the Company's management in a manner consistent with applicable law and provided that such participant's compensation is not subject to the limitations of Section 162(m) of the Code. References herein to the Committee shall include any delegate described under this paragraph, except where the context or the regulations under Code Section 162(m) otherwise require.

(c) The Committee, or any person to whom it has delegated duties as described herein, may employ one or more persons to render advice with respect to any responsibility the Committee or such person may have under the Plan (including such legal or other counsel, consultants, and agents as it may deem desirable for the administration of the Plan) and may rely upon any opinion or computation received from any such counsel, consultant, or agent. Expenses incurred in the engagement of such counsel, consultant, or agent shall be paid by the Company.

Section 4. Eligibility

The Committee may grant Awards under the Plan to such of the Company's (and the Company's Subsidiaries') officers and key employees as it shall select for participation pursuant to Section 3 above.

Section 5. Awards; Limitations on Awards

(a) Each Award granted under the Plan shall represent an amount payable in cash by the Company to the Grantee upon achievement of one or more of a combination of Performance Objectives in a Performance Year, subject to all other terms and conditions of the Plan and to such other terms and conditions as may be specified by the Committee. The grant of Awards under the Plan shall be evidenced by Award letters in a form approved by the Committee from time to time which shall contain the terms and conditions, as determined by the Committee, of a Grantee's Award; provided, however, that in the event of any conflict between the provisions of the Plan and any Award letter, the provisions of the Plan shall prevail. An Award shall be determined by multiplying the Grantee's target percentage of base salary with respect to a Performance Year by applicable factors and percentages based on the achievement of Performance Objectives, subject to the discretion of the Committee as provided in Section 6 hereof.

(b) The maximum amount of an Award granted to any one Grantee in respect of a Performance Year shall not exceed $2.0 million. This maximum amount limitation shall be measured at the time of settlement of an Award under Section 7.

(c) Annual Performance Objectives shall be based on the performance of the Company, one or more of its Subsidiaries or affiliates, one or more of its units or divisions and/or the individual for the Performance Year. The Committee may use one or more of the following business criteria to establish Performance Objectives for each Grantee: increase in net sales; pretax income before allocation of corporate overhead and bonus; operating profit; net working capital; earnings per share; net income; attainment of division, group or corporate financial goals; return on shareholders' equity; return on assets; attainment of strategic and operational initiatives; attainment of one or more specific and measurable individual strategic goals; appreciation in or maintenance of the price of the Company's common shares; increase in market share; gross profits; earnings before interest and taxes; earnings before interest, taxes, depreciation and amortization; comparisons with various stock market indices; or reductions in labor or material costs or the Committee may use one or more other business criteria that apply to a Grantee, a business unit, the Company or a subsidiary or any combination thereof. The Performance Objective for any Grantee shall be sufficiently specific that a third party having knowledge of the relevant facts could determine whether the objective is met; and the outcome under the Performance Objective shall be substantially uncertain when the Committee establishes the objective.

Section 6. Grant of Awards

(a) The Committee shall grant Awards to any Grantee who is a Covered Executive not later than 90 days after the commencement of the Performance Year. If a Covered Executive is initially employed by the Company or a Subsidiary after the beginning of a Performance Year, the Committee may grant an Award to that Covered Executive with respect to a period of service following the Covered Executive's date of hire, provided that no more than twenty-five percent (25%) of the relevant service period has elapsed when the Committee grants the Award and the Performance Objective otherwise satisfies the requirements applicable to the Covered Executive. The Committee shall select Grantees other than Covered Executives for participation in the Plan and shall grant Awards to such Grantees at such times as the Committee may determine. In granting an Award, the Committee shall establish the terms of the Award, including the Performance Objectives and the maximum amount that will be paid (subject to the limit in Section 5) if the Performance Objectives are achieved. The Committee may establish different payment levels under an Award based on different levels of achievement under the Performance Objectives.

(b) After the end of each Performance Year, the Committee shall determine the amount payable to each Grantee in settlement of the Grantee's Award for the Performance Year. The Committee, in its discretion, may reduce the maximum payment established when the Award was granted, or may determine to make no payment under the Award. The Committee, in its discretion, may increase the amount payable under the Award (but not to an amount greater than the limit in Section 5) to a Grantee who is not a Covered Executive. The Committee shall certify in writing, in a manner conforming to applicable regulations under Section 162(m) of the Code, prior to the settlement of each Award granted to a Covered Executive, that the Performance Objectives and other material terms of the Award upon which settlement of the Award was conditioned have been satisfied.

(c) The Committee may adjust or modify Awards or terms of Awards (1) in recognition of unusual or nonrecurring events affecting the Company or any business unit, or the financial statements or results thereof, or in response to changes in applicable laws (including tax, disclosure, and other laws), regulations, accounting principles, or other circumstances deemed relevant by the Committee, (2) with respect to any Grantee whose position or duties with the Company change during a Performance Year, or (3) with respect to any person who first becomes a Grantee after the first day of the Performance Year; provided, however, that no adjustment to an Award granted to a Covered Executive shall be authorized or made if, and to the extent that, such authorization or the making of such adjustment would contravene the requirements applicable to Performance-Based Compensation.

Section 7. Settlement of Awards

Except as provided in this Section 7, each Grantee shall receive payment of a cash lump sum in settlement of his or her Award, in the amount determined in accordance with Section 6. Such payment shall be made on or before the fifteenth (15th) day of the third (3rd) month following the Performance Year. No Award to a Covered Executive for a Performance Year commencing after December , 31, 2011, shall be settled until the shareholders of the Company have reapproved the Plan in a manner that satisfies the requirements of Section 162(m) of the Code.

Section 8. Termination of Employment

Except as otherwise provided in any written agreement between the Company and a Grantee, if a Grantee ceases to be employed by the Company prior to the end of a Performance Year for any reason other than death, or Disability, any Award for such Performance Year shall be forfeited. If such cessation of employment results from such Grantee's death or Disability, the Committee shall determine, in its sole discretion and in such manner as it may deem reasonable, subject to Section 9, the extent to which the Performance Objectives for the Performance Year or portion thereof completed at the date of cessation of employment have been achieved, and the amount payable in settlement of the Award based on such determinations. The Committee may base such determination on the performance achieved for the full year, in which case its determination may be deferred until following the Performance Year. Such determinations shall be set forth in a written certification, as specified in Section 6. Such Grantee or his or her Beneficiary shall be entitled to receive a lump sum cash settlement of such Award at the earliest time such payment may be made without causing the payment to fail to be deductible by the Company under Section 162(m) of the Code.

Section 9. Status of Awards Under Section 162(m)

It is the intent of the Company that Awards granted to Covered Executives for Performance Years commencing after December 31, 2011, shall constitute Performance-Based Compensation, if at the time of settlement the Grantee remains a Covered Executive. Accordingly, the Plan shall be interpreted in a manner consistent with Section 162(m) of the Code and the regulations thereunder. If any provision of the Plan relating to a Covered Executive or any Award letter evidencing such an Award to a Covered Executive does not comply with, or is inconsistent with, the provisions of Section 162(m)(4)(C) of the Code or the regulations thereunder (including Treasury Regulation § 1.162-27(e) or its succession provisions) for Performance-Based Compensation, such provision shall be construed or deemed amended to the extent necessary to conform to such requirements.

Section 10. Transferability

Awards and any other benefit payable under, or interest in, this Plan are not transferable by a Grantee except upon a Grantee's death by will or the laws of descent and distribution, and shall not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, or charge, and any such attempted action shall be void.

Section 11. Withholding

All payments relating to an Award, whether at settlement or resulting from any further deferral or issuance of an Award under another plan of the Company in settlement of the Award, shall be net of any amounts required to be withheld pursuant to applicable federal, state and local tax withholding requirements.

Section 12. Tenure

A Grantee's right, if any, to continue to serve the Company as a Covered Executive, officer, employee, or otherwise, shall not be enlarged or otherwise affected by his or her selection as a Grantee or any other event under the Plan.

Section 13. No Rights to Participation or Settlement

Nothing in the Plan shall be deemed to give any eligible employee any right to participate in the Plan except upon determination of the Committee. Until the Committee has determined to settle an Award under Section 7, a Grantee's selection to participate, the grant of an Award, and other events under the Plan shall not be construed as a commitment that any Award will be settled under the Plan. The foregoing notwithstanding, the Committee may authorize legal commitments with respect to Awards under the terms of an employment agreement or other agreement with a Grantee, to the extent of the Committee's authority under the Plan, including commitments that limit the Committee's future discretion under the Plan, but in all cases subject to the provisions of Section 9.

Section 14. Unfunded Plan

A Grantee shall have no right, title, or interest whatsoever in or to any specific assets of the Company, nor to any investments that the Company may make to aid in meeting its obligations under the Plan. Nothing contained in the Plan, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind, or a fiduciary relationship between the Company and any Grantee, Beneficiary, legal representative or any other person. To the extent that any person acquires a right to receive payments from the Company under the Plan, such right shall be no greater than the right of an unsecured general creditor of the Company. All payments to be made hereunder shall be paid from the general funds of the Company. The Company shall not be required to establish any special or separate fund, or to segregate any assets, to assure payment of such amounts. The Plan is not intended to be subject to the Employee Retirement Income Security Act of 1974, as amended.

Section 15. Other Compensatory Plans and Arrangements

Nothing in the Plan shall preclude any Grantee from participation in any other compensation or benefit plan of the Company or its Subsidiaries. The adoption of the Plan and the grant of Awards hereunder shall not preclude the Company or any Subsidiary from paying any other compensation apart from the Plan, including compensation for services or in respect of performance in a Performance Year for which an Award has been made. If an Award to a Covered Executive may not be settled under the terms of the Plan, however (for example, because the Covered Executive has not achieved the Performance Objective or because shareholders have not approved the Plan), neither the Company nor a Subsidiary may pay any part of the Award to the Covered Executive outside the Plan.

Section 16. Duration, Amendment and Termination of Plan

After reapproval of the Plan at the 2011 Annual Meeting of Shareholders, no Award may be granted in respect of any Performance Year commencing after December 31, 2016 (if the Company's 2016 fiscal year does not end on December 31 then for purposes of this sentence the actual date of the end the of Company's 2016 fiscal year shall be substituted for December 31, 2016).

The Board may amend the Plan from time to time (either retroactively or prospectively), and may suspend or terminate the Plan at any time, provided that any such action shall be subject to shareholder approval if and to the extent required to ensure that compensation under the Plan will qualify as Performance-Based Compensation, or as otherwise may be required under applicable law.

Section 17. Governing Law

The Plan, Awards granted hereunder, and actions taken in connection herewith shall be governed and construed in accordance with the laws of the State of Ohio (regardless of the law that might otherwise govern under applicable Ohio principles of conflict of laws).

Section 18. Effective Date

The Plan was initially effective as of December 31, 2006 and approved by the Company's shareholders at the 2007 Annual Meeting of Shareholders. The Plan, as amended, shall be effective as of December 31, 2011; provided the Company's shareholders reapprove the Plan at the 2011 Annual Meeting of Shareholders. In addition, the Board may determine to submit the Plan to shareholders for reapproval at such time, if any, as may be required in order that compensation under the Plan shall qualify as Performance-Based Compensation.

IMPORTANT ANNUAL MEETING
INFORMATION

Electronic Voting Instructions
You can vote by Internet or telephone!
Available 24 hours a day, 7 days a week!
Instead of mailing your proxy, you may choose one of the two voting methods outlined below to vote your proxy.
VALIDATION DETAILS ARE LOCATED BELOW IN THE TITLE BAR.
Proxies submitted by the Internet or telephone must be received by 1:00 a.m., EDT, on May 9, 2011.

Vote by Internet
• Log on to the Internet and go to www.envisionreports.com/SRI
• Follow the steps outlined on the secured website.

Vote by telephone
• Call toll free 1-800-652-VOTE (8683) within the USA, US territories & Canada any time on a touch tone telephone. There is NO CHARGE to you for the call.
• Follow the instructions provided by the recorded message.

Using a black ink pen, mark your votes with an X as shown in this example. Please do not write outside the designated areas. x

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Annual Meeting Proxy Card

IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.

A Proposals — The Proxies will vote as specified below, or if a choice is not specified, they will vote FOR the nominees listed in proposal 1 and FOR proposals 2, 3 and 5 and “Three Years” on proposal 4.

1. Election of Directors:	01 - John C. Corey	02 - Jeffrey P. Draime	03 - Douglas C. Jacobs	04 - Ira C. Kaplan
	05 - Kim Korth	06 - William M. Lasky	07 - Paul J. Schlather	

¨ Mark here to vote FOR all nominees

¨ Mark here to WITHHOLD vote from all nominees

o For All EXCEPT - To withhold a vote for one or more nominees, mark the box to the left and the corresponding numbered box(es) to the right.

01	02	03	04	05	06	07
¨	¨	¨	¨	¨	¨	¨

For Against Abstain

For Against Abstain

2. Ratification of Ernst & Young LLP:	¨	¨	¨		3. Advisory resolution on executive compensation:	¨	¨	¨
4. Advisory vote on the frequency of the advisory vote on executive compensation:	1 Yr o	2 Yrs o	3 Yrs o	Abstain o	5. Approval of Amended Annual Incentive Plan:	o	o	o
6. On such other business as may properly come before the meeting.								

B Non-Voting Items

Change of Address — Please print new address below.

C Authorized Signatures — This section must be completed for your vote to be counted. — Date and Sign Below

Please sign exactly as your name appears hereon, indicating, where proper, official position or representative capacity.

Date (mm/dd/yyyy) — Please print date below.	Signature 1 — Please keep signature within the box	Signature 2 — Please keep signature within the box.
/ /		

IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.

Proxy — STONERIDGE, INC.

THIS PROXY IS SOLICITED BY THE BOARD OF DIRECTORS OF THE COMPANY

The undersigned hereby appoints John C. Corey, George E. Strickler and William M. Lasky, and each of them, attorneys and proxies of the undersigned, with full power of substitution, to attend the Annual Meeting of Shareholders of Stoneridge, Inc., to be held at the Sheraton Cleveland Airport Hotel, 5300 Riverside Drive, Cleveland, Ohio 44135, on Monday, May 9, 2011, at 11:00 a.m. Eastern Time, or any adjournment thereof, and to vote the number of common shares of Stoneridge, Inc. which the undersigned would be entitled to vote, and with all power the undersigned would possess if personally present.

Receipt of the Notice of Annual Meeting of Shareholders and Proxy Statement dated April 12, 2011 is hereby acknowledged.

PLEASE MARK, SIGN, DATE, AND RETURN THIS PROXY CARD PROMPTLY USING THE ENCLOSED ENVELOPE