

# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

## FORM 10-Q

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

For the quarterly period ended December 31, 2005

OR

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

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

Commission File Number 0-27266

### Westell Technologies, Inc.

(Exact name of registrant as specified in its charter)

**DELAWARE**

(State or other jurisdiction of  
incorporation or organization)

**36-3154957**

(I.R.S. Employer  
Identification Number)

**750 N. Commons Drive, Aurora, IL**  
(Address of principal executive offices)

**60504**  
(Zip Code)

Registrant's telephone number, including area code **(630) 898-2500**

**Not applicable**

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check or mark whether the registrant (1) has filed all reports required to be filed by Sections 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 whether the registrant is a large filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of January 26, 2006:

Class A Common Stock, \$0.01 Par Value – 55,569,348 shares

Class B Common Stock, \$0.01 Par Value – 14,741,872 shares

**WESTELL TECHNOLOGIES, INC. AND SUBSIDIARIES**  
**FORM 10-Q**  
**INDEX**

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**Safe Harbor Statement**

Certain statements contained in this Quarterly Report of Form 10-Q regarding matters that are not historical facts or that contain the words "believe", "expect", "intend", "anticipate" or derivatives thereof and other words of similar meaning, are forward-looking statements. Such forward-looking statements include risks and uncertainties, and actual results may differ materially from those expressed in or implied by such forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to, those discussed under "Risk Factors" set forth in Westell Technologies, Inc.'s Annual Report on Form 10-K for the fiscal year ended March 31, 2005. Our actual results may differ from these forward-looking statements. Westell Technologies, Inc. undertakes no obligation to publicly update these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events or otherwise.

**WESTELL TECHNOLOGIES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

ASSETS	December 31, 2005	March 31, 2005
	(unaudited)	
	(in thousands)	
Current assets:		
Cash and cash equivalents	\$ 45,346	\$ 26,350
Investments	1,281	610
Accounts receivable (net of allowance of \$285,000 and \$278,000 respectively)	22,147	30,167
Inventories	26,221	26,419
Prepaid expenses and other current assets	3,225	2,806
Deferred income tax asset	4,113	3,980
Total current assets	102,333	90,332
Property and equipment:		
Machinery and equipment	44,679	44,505
Office, computer and research equipment	25,534	25,270
Leasehold improvements	8,931	8,810
	79,144	78,585
Less accumulated depreciation and amortization	64,809	62,067
Property and equipment, net	14,335	16,518
Goodwill	18,378	6,990
Intangibles, net	4,883	6,893
Deferred income tax asset and other assets	53,846	59,357
Total assets	\$ 193,775	\$ 180,090

**LIABILITIES AND STOCKHOLDERS' EQUITY**

Current liabilities:		
Accounts payable	\$ 20,715	\$ 19,671
Accrued expenses	7,836	7,962
Accrued compensation	6,278	7,898
Deferred revenue	832	1,234
Current portion of long-term debt	50	318
Total current liabilities	35,711	37,083
Long-term debt	24	--
Other long-term liabilities	809	809
Total liabilities	36,544	37,892
Minority interest	2,733	2,540
Stockholders' equity:		
Class A common stock, par \$0.01	555	542
Authorized – 109,000,000 shares		
Issued and outstanding – 54,240,298 shares at March 31, 2005 and 55,512,664 shares at December 31, 2005		
Class B common stock, par \$0.01	147	147
Authorized – 25,000,000 shares		
Issued and outstanding – 14,741,872 shares at March 31, 2005 and December 31, 2005		
Preferred stock, par \$0.01	--	--
Authorized – 1,000,000 shares		
Issued and outstanding - none		
Deferred compensation	(1,858)	(2,476)
Additional paid-in capital	392,628	389,242
Treasury stock at cost – 93,100 shares	(247)	(247)
Cumulative translation adjustment	(186)	(672)
Accumulated deficit	(236,541)	(246,878)
Total stockholders' equity	154,498	139,658
Total liabilities and stockholders' equity	\$ 193,775	\$ 180,090

The accompanying notes are an integral part of these Consolidated Financial Statements.



**WESTELL TECHNOLOGIES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2005	2004	2005	2004
	(unaudited) (in thousands, except per share data)			
Equipment sales	\$ 57,716	\$ 63,574	\$ 176,579	\$ 159,076
Services	10,433	10,877	33,527	32,946
<b>Total revenues</b>	<b>68,149</b>	<b>74,451</b>	<b>210,106</b>	<b>192,022</b>
Cost of equipment sales	41,902	48,484	129,110	117,086
Cost of services	5,333	5,409	16,979	16,553
<b>Total cost of goods sold</b>	<b>47,235</b>	<b>53,893</b>	<b>146,089</b>	<b>133,639</b>
<b>Gross margin</b>	<b>20,914</b>	<b>20,558</b>	<b>64,017</b>	<b>58,383</b>
Operating expenses:				
Sales and marketing	6,181	5,740	18,338	16,622
Research and development	5,228	4,053	14,860	11,155
General and administrative	3,826	4,446	12,344	13,222
Restructuring	443	--	443	(452)
Intangible amortization	324	324	972	1,012
<b>Total operating expenses</b>	<b>16,002</b>	<b>14,563</b>	<b>46,957</b>	<b>41,559</b>
Gain on sale of product line	--	--	--	1,453
<b>Operating income</b>	<b>4,912</b>	<b>5,995</b>	<b>17,060</b>	<b>18,277</b>
Other income, net	385	395	399	788
Interest expense	(2)	(7)	(11)	(58)
<b>Income before minority interest and income taxes</b>	<b>5,295</b>	<b>6,383</b>	<b>17,448</b>	<b>19,007</b>
Income taxes	2,082	2,614	6,910	7,364
Minority interest	48	106	201	323
<b>Net income</b>	<b>\$ 3,165</b>	<b>\$ 3,663</b>	<b>\$ 10,337</b>	<b>\$ 11,320</b>
Net income per common share:				
Basic	\$ 0.05	\$ 0.05	\$ 0.15	\$ 0.17
Diluted	\$ 0.04	\$ 0.05	\$ 0.14	\$ 0.16
Weighted average number of common shares outstanding:				
Basic	70,224	68,421	69,815	68,364
Diluted	71,637	71,081	71,556	70,874

The accompanying notes are an integral part of these Consolidated Financial Statements

**WESTELL TECHNOLOGIES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Nine months Ended December 31,	
	2005	2004
	(unaudited) (in thousands)	
Cash flows from operating activities:		
Net income	\$ 10,337	\$ 11,320
Reconciliation of net income to net cash provided by operating activities:		
Depreciation and amortization	7,233	6,624
Sale of product technology	--	(2,053)
Deferred compensation	618	--
(Gain) loss on sale of fixed assets	(130)	55
Restructuring	22	(1,337)
Deferred Taxes	5,383	7,036
Minority interest	201	329
Tax benefit received on stock option exercises	1,393	329
Changes in assets and liabilities:		
Accounts receivable	10,155	(4,711)
Inventory	4,426	(12,009)
Capitalization of software development costs	--	(1,436)
Prepaid expenses and other current assets	(348)	(682)
Other assets	(7)	(139)
Accounts payable and accrued expenses	(2,617)	11,782
Accrued compensation	(1,784)	(2,067)
	<hr/>	<hr/>
Net cash provided by operating activities	34,882	13,041
	<hr/>	<hr/>
Cash flows from investing activities:		
Purchases of property and equipment	(2,747)	(3,486)
Proceeds from the sale of equipment	130	5
Sale of product line	--	2,000
Purchase of investments	(671)	(618)
Acquisition of a business	(14,349)	--
	<hr/>	<hr/>
Net cash used in investing activities	(17,637)	(2,099)
	<hr/>	<hr/>
Cash flows from financing activities:		
Net repayment of long-term debt and leases payable	(318)	(3,251)
Proceeds from stock options and warrants exercised	2,006	2,172
	<hr/>	<hr/>
Net cash provided by (used in) financing activities	1,688	(1,079)
	<hr/>	<hr/>
Effect of exchange rate changes on cash	63	(63)
Net increase in cash	18,996	9,800
Cash and cash equivalents, beginning of period	26,350	11,241
	<hr/>	<hr/>
Cash and cash equivalents, end of period	\$ 45,346	\$ 21,041
	<hr/>	<hr/>

The accompanying notes are an integral part of these Consolidated Financial Statements

## Note 1. Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles in the United States for complete financial statements. It is suggested that these consolidated financial statements be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended March 31, 2005.

In the opinion of management, the unaudited interim financial statements included herein reflect all adjustments, consisting of normal recurring adjustments, necessary to present fairly the Company's consolidated financial position and the results of operations and cash flows at December 31, 2005 and for all periods presented. The results of operations for the three and nine month period ended December 31, 2005 are not necessarily indicative of the results that may be expected for the fiscal year ending March 31, 2006 ("fiscal year 2006").

Certain amounts in previously issued financial statements have been reclassified to conform to the current year presentation.

## Note 2. Computation of Income Per Share

The computation of basic earnings per share is computed using the weighted average number of common shares outstanding during the period. Diluted earnings per share includes the number of additional common shares that would have been outstanding if the dilutive potential common shares had been issued. The following table sets forth the computation of basic and diluted earnings per share:

Dollars in thousands, except per share amounts	Three months ended December 31,		Nine months ended December 31,	
	2005	2004	2005	2004
<b>Basic Earnings per Share:</b>				
Net income	\$3,165	\$3,663	\$10,337	\$11,320
Average basic shares outstanding	70,224	68,421	69,815	68,364
Basic net income per share	\$0.05	\$0.05	\$0.15	\$0.17
<b>Diluted Earnings per Share:</b>				
Net income	\$3,165	\$3,663	\$10,337	\$11,320
Average basic shares outstanding	70,224	68,421	69,815	68,364
Effect of dilutive securities: stock options and warrants	1,413	2,660	1,741	2,510
Average diluted shares outstanding	71,637	71,081	71,556	70,874
Diluted net income per share	\$0.04	\$0.05	\$0.14	\$0.16

Options to purchase 4,957,962 and 2,568,180 shares of common stock for the three months ended December 31, 2005 and December 31, 2004, respectively, and options to purchase 4,718,054 and 2,552,370 shares of common stock for the nine months ended December 31, 2005 and December 31, 2004, respectively, were not included in the computation of diluted shares because the options' exercise prices were greater than the average market price of the common shares.

### Note 3. Restructuring Charge

The Company recognized a restructuring expense of \$2.6 million in fiscal year 2003. This charge included personnel and facility costs related primarily to the closing of a Conference Plus, Inc. facility and personnel and facility charges at Westell Limited. Approximately 25 employees were impacted by these reorganizations. In fiscal year 2005, the Company terminated a lease that was partially reserved for in the 2003 restructuring. This termination resulted in the reversal of \$0.5 million of restructuring for facility costs. As of December 31, 2005, the Company has paid all of these accrued restructuring costs.

The Company recognized a restructuring expense of \$443,000 in the third quarter of fiscal year 2006. This charge included personnel costs relating to the termination of 17 employees at Westell Inc. As of December 31, 2005, \$210,000 of these accrued costs remain unpaid.

On December 29, 2005, the Company acquired the stock HyperEdge Corporation (see footnote 11). There is a restructuring plan to combine and streamline the operations of the companies to achieve synergies related to the manufacture and distribution of common product lines. The Company estimates the costs of employee terminations, which was capitalized as part of the purchase price, to be \$300,000. Approximately 15 employees are estimated to be impacted by this plan. Any adjustments to this plan will be accounted for in accordance with SFAS No. 141. As of December 31, 2005, none of these costs have been paid.

The Company's restructuring accrual balances are presented in the following table:

(in thousands)	Balance March 31, 2005	Accrued through December 31, 2005	Paid through December 31, 2005	Balance December 31, 2005
Employee costs	\$0	\$743	\$(233)	\$510
Legal, facility and other costs	188	0	(188)	0
Total	\$188	\$743	\$(421)	\$510

### Note 4. Interim Segment Information

Westell's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and market strategies. They consist of:

- 1) A telecommunications equipment manufacturer of broadband products, and
- 2) A multi-point telecommunications service bureau specializing in audio teleconferencing, web conferencing, multi-point video conferencing and value-added services related to conferencing such as billing, cost allocation and equipment management.



Performance of these segments is evaluated utilizing revenue, operating income and total asset measurements. The accounting policies of the segments are the same as those for Westell Technologies, Inc. Segment information for the three and nine month periods ended December 31, 2004 and 2005, are as follows:

(in thousands)	Telcom Equipment	Telcom Service	Consolidated Total
<b>Three months ended December 31, 2004</b>			
Revenues	\$ 63,574	\$ 10,877	\$ 74,451
Operating income	4,179	1,816	5,995
Depreciation and amortization	1,316	890	2,206
Total assets	131,030	17,431	148,461
<b>Three months ended December 31, 2005</b>			
Revenues	\$ 57,716	\$ 10,433	\$ 68,149
Operating income	3,807	1,105	4,912
Depreciation and amortization	1,548	606	2,154
Total assets	177,049	16,726	193,775
<b>Nine months ended December 31, 2004</b>			
Revenues	\$ 159,076	\$ 32,946	\$ 192,022
Operating income	12,513	5,764	18,277
Depreciation and amortization	3,899	2,725	6,624
Total assets	131,030	17,431	148,461
<b>Nine months ended December 31, 2005</b>			
Revenues	\$ 176,579	\$ 33,527	\$ 210,106
Operating income	12,956	4,104	17,060
Depreciation and amortization	5,084	2,149	7,233
Total assets	177,049	16,726	193,775

Reconciliation of Operating income for the reportable segments to income before income taxes and minority interest:

(in thousands)	Three months ended December 31,		Nine months ended December 31,	
	2005	2004	2005	2004
Operating income	\$ 4,912	\$ 5,995	\$ 17,060	\$ 18,277
Other income, net	385	395	399	788
Interest expense	(2)	(7)	(11)	(58)
Income before income taxes and minority interest	\$ 5,295	\$ 6,383	\$ 17,448	\$ 19,007

#### Note 5. Comprehensive Income

The disclosure of comprehensive income, which encompasses net income and foreign currency translation adjustments, is as follows:

(in thousands)	Three months ended December 31,		Nine months ended December 31,	
	2005	2004	2005	2004
Net income	\$ 3,165	\$ 3,663	\$ 10,337	\$ 11,320
Other comprehensive income				
Foreign currency translation adjustment	140	(268)	486	(233)
Comprehensive Income	\$ 3,305	\$ 3,395	\$ 10,823	\$ 11,087

## Note 6. Inventories

The components of inventories are as follows:

(in thousands)	December 31,	March 31,
	2005	2005
Raw material	\$ 19,702	\$ 16,827
Work in process	523	217
Finished goods	11,631	14,507
Reserve for excess and obsolete inventory and net realizable value	(5,635)	(5,132)
	<u>\$ 26,221</u>	<u>\$ 26,419</u>

## Note 7. Stock Options

The Company has elected to follow Accounting Principle Board Opinion No. 25 "Accounting for Stock Issued to Employees" (APB No. 25) and related interpretations in accounting for its employee stock options and awards. Under APB No. 25, employee stock options are valued using the intrinsic method, and no compensation expense is recognized since the exercise price of the options equals or is greater than the fair market value of the underlying stock as of the date of the grant. The following table shows the effect on net income and income per share if the Company had applied the fair value recognition provisions of FASB Statement No. 123, "Accounting for Stock Based Compensation."

(in thousands, except per-share amounts)	Three months ended December 31,		Nine months ended December 31,	
	2005	2004	2005	2004
Net income, as reported	\$ 3,165	\$ 3,663	\$ 10,337	\$ 11,320
Stock-based employee compensation expense included in reported net earnings, net of related tax effects	74	--	223	--
Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(607)	(376)	(2,101)	(1,122)
Pro forma net income	\$2,632	\$3,287	\$ 8,459	\$10,198
Earnings per common share:				
As reported	\$0.05	\$0.05	\$0.15	\$0.17
Pro forma	\$0.04	\$0.05	\$0.12	\$0.15
Earnings per common share, assuming dilution:				
As reported	\$0.04	\$0.05	\$0.14	\$0.16
Pro forma	\$0.04	\$0.05	\$0.12	\$0.14

The fair value of each option is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions for grants in fiscal 2005 and 2006:

	2005	2006
Expected volatility	95%	89%
Risk-free interest rate	3.65%	3.75%
Expected life	5 years	5 years
Expected dividend yield	0.0%	0.0%

## Note 8. Warranty Reserve

Most of the Company's products carry a limited warranty ranging from one to seven years. The specific terms and conditions of those warranties vary depending upon the product sold. Factors that enter into the estimate of the Company's warranty reserve include the number of units shipped historical and anticipated rates of warranty claims, and cost per claim. The Company periodically assesses the adequacy of its recorded warranty liability and adjusts the reserve as necessary. The Company reports warranty reserve as both current and long term liabilities. The following table presents the changes in the Company's product warranty reserve:

(in thousands)	Three months ended December 31,		Nine months ended December 31,	
	2005	2004	2005	2004
Total product warranty reserve at the beginning of the period	\$1,932	\$1,907	\$1,806	\$1,853
Warranty expense	618	541	1,512	1,558
Adjustments*	72	--	72	--
Deductions	(505)	(351)	(1,273)	(1,314)
Total product warranty reserve at the end of the period	\$2,117	\$2,097	\$2,117	\$2,097

\*Adjustments represents the addition of HyperEdge warranty obligations obtained through acquisition.

## Note 9. Deferred Compensation

The Company has a deferred compensation program with the Chief Executive Officer that is funded through a rabbi trust. The rabbi trust qualifies as a Variable Interest Entity under *FASB Interpretation No. 46, Consolidation of Variable Interest Entities* and as such is consolidated in the Company's financial statements. Approximately \$1.3 million of cash has been funded into the rabbi trust as of December 31, 2005 and the Company has recorded a \$1.7 million short term liability to accrue for the deferred compensation liability. The rabbi trust is subject to the creditors of the Company. All amounts deferred under this compensation program vest on the earlier of March 31, 2006, the executive's death, permanent disability or a change in control of the Company.

## Note 10. Guarantee

In conjunction with a sale of product lines and specified fixed assets in fiscal year 2005, the Company provided an unconditional guarantee in the amount of \$1.62 million relating to a 10 year term note payable to the lender that financed the transaction. The balance of the term loan is \$1.46 million as of December 31, 2005. This guarantee will stay in place until the note is paid in full. The Company must pay all amounts due under the note payable upon demand from the lender. In fiscal year 2005, the Company assessed its obligation under this guarantee pursuant to the provisions of FIN 45, *"Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others"* and recorded a \$300,000 liability for the value of the guarantee. The Company will evaluate the liability periodically and adjust the value as required. No adjustments in the liability have been made to date.

## Note 11. Acquisition

On December 29, 2005, the Company acquired 100% of the common stock of HyperEdge Corporation, a manufacturer of network service access products, for \$14.0 million in cash. The Company has accrued \$600,000 in estimated transaction costs, including costs for employee severance. The acquisition was accounted for using the purchase method of accounting in accordance with SFAS No. 141 "Business Combinations" ("SFAS No. 141") and accordingly the operating results of HyperEdge have been included in the consolidated financial statements from the acquisition date.

In accordance with SFAS No. 141, the total purchase price was allocated to the tangible and intangible assets acquired and liabilities assumed based upon their estimated fair values at the acquisition date with excess purchase price allocated to goodwill. The purchase price allocation for HyperEdge has not been finalized pending completion of final adjustments to liabilities assumed in the acquisition, and the completion of integration plans and valuation reports. The estimated excess purchase price of \$11.4 million has been shown as goodwill on the December 31, 2005 balance sheet.

Had the acquisition taken place as of April 1, 2004, proforma revenue for the three and nine months ended December 31, 2005 and 2004 would have been \$73.3 million, \$227.0 million, \$79.0 million and \$209.1 million, respectively. The Company has not completed the proforma consolidated results of operations and earnings per share for the periods presented due to the pending completion of the valuation of intangibles. The Company expects the impact of the acquisition to be dilutive in the fourth quarter of fiscal year 2006 due to one time integration costs and inventory step up and accretive in fiscal year 2007 and thereafter.

#### **Note 12. New Accounting Pronouncements**

In December 2004, the Financial Accounting Standards Board (FASB) issued SFAS No. 123R, "Share-Based Payment" ("SFAS 123R"). Under this new standard, companies will no longer be able to account for share-based compensation transactions using the intrinsic value method in accordance with APB 25. Instead, companies will be required to account for such transactions using a fair-value method and recognize the expense over the service period. SFAS 123R allows for several alternative transition methods, but the Company has not yet determined the transition method it will use. On April 14, 2005, the Securities and Exchange Commission announced the adoption of a rule that defers the required effective date of SFAS 123R for registrants to the beginning of the first fiscal year beginning after June 15, 2005. The Company expects to adopt this statement in the first quarter of its 2007 fiscal year. The adoption of SFAS 123R will have an impact on the Company's results of operations, although it will have no incremental impact on the Company's overall financial position.

In January 2005, the Financial Accounting Standards Board (FASB) issued revised Statement of Financial Accounting Standards (SFAS) No. 151, *Inventory Costs*, an amendment of ARB No. 43. The amendments made by SFAS 151 clarify that abnormal amounts of idle facility expense, freight, handling costs, and wasted materials (spoilage) should be recognized as current-period charges and require the allocation of fixed production overheads to inventory based on the normal capacity of the production facilities. SFAS 151 will be effective for the Company beginning in fiscal year 2007. The impact of SFAS 151 is not expected to have a significant impact to the consolidated financial statements.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

### Overview

The Company is comprised of two segments: telecommunications equipment manufacturer and teleconference services bureau. The equipment manufacturing segment consists of two product lines: Customer Networking Equipment (CNE) products and Network Service Access (NSA) products. The CNE product line includes broadband and digital subscriber line (DSL) technology products that allow the transport of high-speed data over the local loop and enable telecommunications companies to provide broadband services over existing copper infrastructure. The Company's NSA product line consists of manageable and non-manageable T1 transmission equipment, associated mountings and special service plugs for the legacy copper telephone network. Westell realizes the majority of its revenues from the North American market.

The Company's teleconference service segment is comprised of a 91.5% owned subsidiary, Conference Plus, Inc. Conference Plus provides audio, video, and web conferencing services. Businesses and individuals use these services to hold voice, video or web conferences with many people at the same time. Conference Plus sells its services directly to large customers, including Fortune 1000 companies, and serves other customers indirectly through its private label reseller program.

The equipment manufacturing segment of the Company's business consists of two product lines, offering a broad range of products that facilitate the broadband transmission of high-speed digital and analog data between a telephone company's central office and end-user customers. These two product lines are:

- *Customer Networking Equipment (CNE)*: Westell's family of broadband products enable the transport of high-speed data over existing local telephone lines and allow telecommunications companies to provide broadband services using their current copper infrastructure. The Company's broadband products also enable residential, small business and Small Office Home Office (SOHO) users to network multiple computers, telephones and other devices to access the Internet. Digital Subscriber Lines (DSL) products make up the majority of the revenue in this product group.
- *Network Service Access (NSA)*: Westell's NSA product family consists of manageable and non-manageable T1 transmission equipment for telephone services, and an array of mounting products used for connecting telephone wires and cables, and special service plugs. The T1 transmission equipment termed Network Interface Units (NIU) and the associated NIU mounting products make up the majority of revenue from this product group.

Below is a table that compares equipment and service revenues for the three and nine months ended December 31, 2005 with the three and nine months ended December 31, 2004 by product line.

(in thousands)	Three months ended December 31,				Nine months ended December 31,			
	2005	%	2004	%	2005	%	2004	%
CNE	\$ 48,603	71.3%	\$ 54,484	73.2%	\$ 145,682	69.3%	125,592	65.4%
NSA	9,113	13.4%	9,090	12.2%	30,897	14.7%	33,484	17.4%
Total equipment	57,716	84.7%	63,574	85.4%	176,579	84.0%	159,076	82.8%
Services	10,433	15.3%	10,877	14.6%	33,527	16.0%	32,946	17.2%
Total revenues	\$ 68,149		\$ 74,451		\$ 210,106		\$ 192,022	

The prices for the products within each market group vary based upon volume, customer specifications and other criteria and are subject to change due to competition among telecommunications manufacturers and service providers. Increasing competition, in terms of the number of entrants and their size, and increasing size of the Company's customers because of past mergers, continues to exert downward pressure on prices for the Company's products. The Company expects average selling prices on its CNE products to decline less than 20% in fiscal year 2006.

On January 31, 2005, SBC and AT&T announced that they had entered into an agreement for SBC to acquire AT&T. The acquisition was completed on November 18, 2005. In the nine months ended December 31, 2005,

sales to SBC (now AT&T) generated approximately 7.9% of the Company's total revenues, 0.4% for the equipment segment (primarily NSA products excluding sales made to SBC through minority business enterprises) and 7.5% for the services segment. AT&T is the largest customer of Conference Plus. AT&T offers services similar to Conference Plus. The Company is unable to predict at this time how the merger will impact the Company's results of operations in the future.

The Company's customer base is highly concentrated and comprised primarily of the Regional Bell Operating Companies (RBOCs), independent domestic local exchange carriers and public telephone administrations located outside the U.S. Due to the stringent quality specifications of its customers and the regulated environment in which its customers operate, the Company must undergo lengthy approval and procurement processes prior to selling its products. Accordingly, the Company must make significant upfront investments in product and market development prior to actual commencement of sales of new products.

To remain competitive, the Company must continue to invest in new product development and invest in targeted sales and marketing efforts to cover new product lines. Failure to increase revenues from new products, whether due to lack of market acceptance, competition, technological change or otherwise, would have a material adverse effect on the Company's business and results of operations. The Company expects to continue to evaluate new product opportunities and engage in extensive research and development activities.

The Company is focusing on expanding its product offerings in the equipment segment from basic high speed broadband to more sophisticated applications such as home networking, VoIP, wireless systems, wireless wireline convergence, IMS (IP Multimedia Subsystem), video / IPTV, multimedia distribution and control and more powerful user interfaces. This will require the Company to continue to invest in research and development and sales and marketing, which could adversely affect short-term results of operations. The Company is currently increasing research and development investment levels in the areas of fixed mobile wireline wireless convergence (FMC), IMS, VoIP and home networking applications. In view of the Company's reliance on the DSL market for revenues and the unpredictability of orders and pricing pressures, the Company believes that period-to-period comparisons of its financial results are not necessarily meaningful and should not be relied upon as an indication of future performance. Revenues from NSA products such as NIUs have declined in recent years due primarily to reduced demand resulting from the migration by telephone companies to high-speed digital transmission products and the sale of Data Station Termination product lines that occurred in the first quarter of fiscal 2005. The December 29, 2005 acquisition of HyperEdge Corporation will increase revenues from NSA products.

In the CNE equipment manufacturing segment, the Company is focusing on new product opportunities such as the DSL wireless gateway, voice/video-over-IP, and always-on-broadband appliances. The Company has introduced new products including the Westell Media Gateway (WMG), UltraLine II™, ProLine™, VersaLink™, VersaLink with PowerBoost™, and TriLink™ which are targeted at the home networking, small office/home office (SOHO) and small business markets. The Company continues to support the multimedia always-on-broadband appliance gateway product Verizon One. Revenue is expected from Verizon One in the fourth quarter of fiscal year 2006, but other new products are anticipated to have a greater impact in fiscal year 2007. The Company has multiple evaluations and is entering trials for TriLink™, TriLink IMS, UltraLineII™ and the Westell Media Gateway, a variation of the Verizon One product marketed outside of the United States. The Company continues to focus on expanding existing and new products into the international market consisting primarily of Europe and Canada.

The Company expects the fourth fiscal quarter of 2006 to be very dependent on the sales of existing products such as ProLine™ and VersaLink™. The Company believes that its customers continue to expect growth and replacement in the broadband market that the Company's CNE products serve. More users are subscribing to DSL services and some subscribers currently using DSL technology desire new DSL technology as the older modems cannot deliver newer applications that require higher broadband speed.

The Company expects the overall NSA market to decline annually by approximately 10% as the transition to high-speed digital service continues. This decline could impact the Company's future revenue. The Company acquired 100% of the common stock of HyperEdge Corporation, on December 29, 2005 with the goal of strengthening its position in the NSA market. With the addition of HyperEdge the Company hopes to increase its market share in mountings and NIU's. The Company also plans to invest in new product areas to compliment wireless and fiber applications.

## Results of Operations

<i>Revenues</i>	Three months ended December 31,			Nine months ended December 31,		
	2005	2004	Change	2005	2004	Change
Consolidated revenue	\$68,149	\$74,451	\$(6,302)	\$210,106	\$192,022	\$18,084
Equipment revenue:						
CNE	48,603	54,484	(5,881)	145,682	125,592	20,090
NSA	9,113	9,090	23	30,897	33,484	(2,587)
Total equipment revenue	57,716	63,574	(5,858)	176,579	159,076	17,503
Services revenue	10,433	10,877	(444)	33,527	32,946	581

CNE revenue decreased in the third quarter of fiscal 2006 compared to the same quarter in the prior year due to a reduction in unit sales of VersaLink™ product which was partially offset by an increase in unit sales of modems. VersaLink™ product has a higher selling price per unit than modems. VersaLink™ unit sales decreased by 73% and the price per unit decreased by 12%. Modem unit sales increased 119% with a price per unit decrease of 19%. CNE revenue increased in the nine months ended December 31, 2005 compared to the same period in the prior year due to increased unit sales offset in part by decreased unit prices. VersaLink™ unit sales increased by 49% and the price per unit decreased by 14%. Modem unit sales increased 24% with a price per unit decrease of 15%. NSA revenues were flat in the third quarter of fiscal 2006 compared to the same quarter in the prior year but down only slightly after excluding the one time items in the nine months ended December 31, 2005 compared to the same period in the prior year. NSA product revenue in the nine month period ended December 31, 2004 included an \$883,000 contractual settlement from a customer, \$900,000 of non-recurring revenue and approximately \$500,000 of revenue from a product line subsequently sold. The overall decrease in NSA product revenue is due to reduced demand resulting from the migration by telephone companies to high-speed digital transmission products. Revenue in the services segment decreased in the third quarter of fiscal 2006 compared to the same quarter in the prior year due to the loss of a customer and lower revenue per minute offset in part by an increase in minutes billed. Service revenue increased in the nine months ended December 31, 2005 compared to the comparable prior year period due to an increase in minutes billed offset in part by lower revenue per minute at the Company's Conference Plus, Inc. subsidiary.

<i>Gross Margin</i>	Three months ended December 31,			Nine months ended December 31,		
	2005	2004	Change	2005	2004	Change
Consolidated Margin	30.7%	27.6%	3.1%	30.5%	30.4%	0.1%
Equipment Margin	27.4%	23.7%	3.7%	26.9%	26.4%	0.5%
Service Margin	48.9%	50.3%	(1.4)%	49.4%	49.8%	(0.4)%

Gross margin as a percent of sales in the equipment segment increased in the third quarter of fiscal 2006 compared to the same period in fiscal 2005 due primarily to non-recurring expediting and other costs related to the introduction of the VersaLink™ product in the third quarter of fiscal 2005. The increase in equipment margin percentage in the three and nine months ended December 31, 2005 when compared to the same period in fiscal 2005 was due primarily to improvements in material costs. In addition, the December 31, 2004 margin includes the \$883,000 contractual settlement mentioned above. The Company believes continued pricing pressures and continued reduction of NSA sales affecting its equipment could continue to adversely impact margins in the future. The service margins decrease in the three and nine months ended December 31, 2005 compared to the same periods in fiscal 2005 due to increased overhead costs related to credit card fees, maintenance and web outsourcing. It is the Company's strategy to offset the effects of these anticipated price reductions with continued cost reductions and introducing new products that have higher sales prices and margins.

<i>Sales and Marketing</i>	Three months ended December 31,			Nine months ended December 31,		
	2005	2004	Change	2005	2004	Change
Consolidated sales and marketing expense	\$6,181	\$5,740	\$441	\$18,338	\$16,622	\$1,716
Equipment sales and marketing expense	4,084	4,194	(110)	12,000	12,039	(39)
Services sales and marketing expense	2,097	1,546	551	6,338	4,583	1,755

The equipment segment sales and marketing expenses were relatively flat in the third quarter and nine months end December 31, 2005 compared to the same periods last year. Sales and marketing expense increased in the Company's services segment in the three and nine months end December 31, 2005 compared to the same periods last year due primarily to more employees at Conference Plus. The Company believes that sales and marketing expense in the future will continue to be a significant percent of revenue and will be required to expand its product lines, bring new products to market and service customers.

<i>Research and Development</i>	Three months ended December 31,			Nine months ended December 31,		
	2005	2004	Change	2005	2004	Change
Consolidated research and development expense	\$5,228	\$4,053	\$1,175	\$14,860	\$11,155	\$3,705
Equipment research and development expense	4,776	3,648	1,128	13,513	9,959	3,554
Services research and development expense	452	405	47	1,347	1,196	151

Engineering expenses have increased in the third quarter and nine months end December 31, 2005 compared to the same periods in fiscal year 2005. The year -to -date increase is due in part to recording a \$900,000 credit for customer reimbursed engineering costs offset in part by a \$300,000 expense for engineering period performed by a third party in fiscal year 2005. No such offset existed in fiscal year 2006. In addition, there were approximately 12% more engineering employees in fiscal year 2006 which resulted in \$42,000 and \$756,000 more salary expense in the three and nine months ended December 31, 2005 compared to same periods in fiscal 2005. The Company capitalized \$490,000 and \$1.4 million of engineering expenses for TR-069 compliant software in the three and nine months ended December 31, 2004. No costs were capitalized in the periods ended December 31, 2005. The Company believes that research and development expenses will increase in fiscal year 2006 as the Company continues to expand its product offerings. Areas of focus include Westell Media Gateway, VoIP, video, multimedia distribution and control, wireless systems, wireless wireline convergence, user interfaces and other broadband applications.

<i>General and Administrative</i>	Three months ended December 31,			Nine months ended December 31,		
	2005	2004	Change	2005	2004	Change
Consolidated general and administrative expense	\$3,826	\$4,446	\$(1,620)	\$12,344	\$13,222	\$(878)
Equipment general and administrative expense	2,361	2,724	(363)	7,548	7,860	(312)
Services general and administrative expense	1,465	1,722	(257)	4,796	5,362	(566)

The decrease in general and administrative expense in the equipment segment for the third quarter of fiscal 2006 compared to the same period in fiscal 2005 is due primarily to lower consulting and professional service fees. The decrease in general and administrative expense in the equipment segment for the nine months ended December 31, 2005 compared to the same period last year is due primarily to lower franchise tax expense. The decrease in general and administrative expense in the services segment for the third quarter and nine months ended December 31, 2005 compared to the same period last year is due primarily to lower sales tax and professional expenses.

*Intangible amortization* Intangible assets include product technology related to the March 17, 2000 acquisition of Teltrend Inc. Intangible amortization expense, which is attributed to the equipment segment, was \$324,000 for the three months ended December 31, 2005 and 2004. Intangible amortization was \$972,000 and \$1,012,000 in the nine months December 31, 2005 and 2004, respectively.

*Other income, net* Other income, net was \$385,000 and \$395,000 in the three months and \$399,000 and \$788,000 in the nine months ended December 31, 2005 and 2004, respectively. The June 30, 2004 quarter contained income from a \$400,000 legal settlement in the equipment segment. The remainder of other income, net was comprised of interest income earned on temporary cash investments and unrealized gains or losses on intercompany balances denominated in foreign currencies.



*Interest expense* Interest expense decreased to \$2,000 in the three months ended December 31, 2005 from \$7,000 in the three months ended December 31, 2004 and decreased from \$11,000 in the nine months ended December 31, 2005 from \$58,000 in the nine months ended December 31, 2004. The decrease in interest expense during the current period is a result of lower net obligations outstanding during the period.

*Income taxes* The Company recorded \$2.1 million and \$6.9 million of income tax expense in the three and nine month periods ended December 31, 2005 based on an estimated tax rate for the year of approximately 40% compared to \$2.6 million and \$7.4 million of income tax expense in the three and nine month periods ended December 31, 2004.

### **Liquidity and Capital Resources**

At December 31, 2005, the Company had \$45.3 million in cash and cash equivalents consisting primarily of the highest rated grade corporate commercial paper. At December 31, 2005, the Company had no amounts outstanding and \$17.3 million available under its secured revolving credit facility.

On December 31, 2005, the Company had a revolving credit facility that provided for maximum borrowings of up to \$30 million. The term on the credit facility expires on June 30, 2006. This asset based revolving credit facility provides for total borrowings based upon 85% of eligible accounts receivable and 30% of eligible inventory not to exceed \$3.1 million as of December 31, 2005. The \$3.1 million inventory limitation is reduced by \$0.1 million on the first day of each month. Borrowings under this facility provide for the interest to be paid by the Company at the prime rate or LIBOR rate plus 2.5%. This credit facility contains covenants regarding EBITDA, tangible net worth and maximum capital expenditures. The Company was in compliance with these covenants on December 31, 2005 and expects to comply with these covenants for the term of the credit facility. The Company expects to replace the existing credit facility with a new facility with similar borrowing capacity prior to June 30, 2006.

The Company's operating activities generated cash of \$34.9 million in the nine month period ended December 31, 2005. Cash generated by operations resulted primarily from net income, non-cash depreciation and amortization in both segments and reductions in accounts receivable, inventory and deferred taxes offset in part by reductions in accounts payable and accrued expenses and in accrued compensation in the equipment segment.

The Company's investing activities used \$17.6 million for the nine month period ended December 31, 2005. The Company used cash of \$14.3 million to acquire HyperEdge Corporation. Capital expenditures for the nine month period ended December 31, 2005 were \$2.7 million. The capital expenditures in the equipment segment were \$2.1 million and were primarily for machinery and research and development equipment purchases. The services segment capital expenditures were \$608,000. These expenditures were primarily for computer and telecom bridge equipment.

At December 31, 2005 the Company's principle sources of liquidity were \$45.3 million of cash and the secured revolving credit facility under which the Company was eligible to borrow up to an additional \$17.3 million based upon receivables and inventory levels. Cash in excess of operating requirements, if any, will be invested on a short-term basis in federal government agency instruments and the highest rated grade commercial paper. The Company believes its future cash requirements for the next twelve months will be satisfied by cash generated from operations and its current credit facility.

The Company had deferred tax assets of approximately \$64.5 million at December 31, 2005, consisting primarily of net operating loss carryforwards. The Company has recorded a valuation allowance reserve of \$7.3 million to reduce the recorded net deferred tax asset to \$57.2 million.

The net operating loss carryforwards begin to expire in 2012. Realization of deferred tax assets associated with the Company's future deductible temporary differences, net operating loss carryforwards and tax credit carryforwards is dependent upon generating sufficient taxable income prior to their expiration. The Company uses estimates of future taxable income and a tax planning strategy that involves the potential sale of the Company's 91.5% subsidiary Conference Plus, Inc. to assess the valuation allowance required against deferred tax assets. Management periodically evaluates the recoverability of the deferred tax assets and will adjust the valuation allowance against deferred tax assets accordingly.

### **Critical Accounting Policies**

There were no changes in critical accounting policies during the quarter. For a description of our critical accounting policies, see our Annual Report on Form 10-K for the fiscal year ended March 31, 2005.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS.**

Westell is subject to certain market risks, including foreign currency and interest rates. The Company has foreign subsidiaries in the United Kingdom and Ireland that develop and sell products and services in those respective countries. The Company is exposed to potential gains and losses from foreign currency fluctuations affecting net investments and earnings denominated in foreign currencies. Market risk is estimated as the potential decrease in pretax earnings resulting from a hypothetical decrease in the ending exchange rate of 10%. If such a decrease occurred, the Company would incur approximately \$787,000 in additional other expense based on the ending intercompany balance outstanding at December 31, 2005. The Company's future primary exposure is to changes in exchange rates for the U.S. dollar versus the British pound and the Euro.

As of December 31, 2005, the balance in the cumulative foreign currency translation adjustment account, which is a component of stockholders' equity, was an unrealized loss of \$186,000.

The Company does not have significant exposure to interest rate risk related to its debt obligations, which are primarily U.S. Dollar denominated. The Company's market risk is the potential loss arising from adverse changes in interest rates. In the past 12 months the Company's debt consisted primarily of term notes. Market risk is estimated as the potential decrease in pretax earnings resulting from a hypothetical increase in interest rates of 10% (i.e. from approximately 3.5% to approximately 3.9%) average interest rate on the Company's debt. If such an increase occurred, the Company would incur approximately \$2,000 per annum in additional interest expense based on the average debt borrowed during the twelve months ended December 31, 2005. The Company does not believe such additional expense is significant.

The Company does not currently use any derivative financial instruments relating to the risk associated with changes in foreign currency or interest rates.

### **ITEM 4. CONTROLS AND PROCEDURES**

#### *Evaluation of Disclosure Controls and Procedures.*

Under the supervision and with the participation of our senior management, including our chief executive officer and chief financial officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of the end of the period covered by this quarterly report (the "Evaluation Date"). Based on this evaluation, our chief executive officer and chief financial officer concluded as of the Evaluation Date that our disclosure controls and procedures were effective such that the information relating to the Company, including consolidated subsidiaries, required to be disclosed in our Securities and Exchange Commission ("SEC") reports (i) is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (ii) is accumulated and communicated to the Company's management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

*Changes in Internal Control Over Financial Reporting.*

There have been no changes in our internal control over financial reporting that occurred during the quarter ended December 31, 2005 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

**Part II. OTHER INFORMATION**

**Item 1. LEGAL PROCEEDINGS**

The Company is not currently involved in any legal proceedings.

**ITEM 6. EXHIBITS**

Exhibit 31.1 Certification by the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

Exhibit 31.2 Certification by the Chief Financial Officer Pursuant to Pursuant to Section 302 of the Sarbanes- Oxley Act of 2002

Exhibit 32.1 Certification by the Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

**SIGNATURES**

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

WESTELL TECHNOLOGIES, INC.  
(Registrant)

DATE: February 9, 2006

By: /s/ E. VAN CULLENS  
E. VAN CULLENS  
Chief Executive Officer

By: /s/ NICHOLAS C. HINDMAN, Sr.  
NICHOLAS C. HINDMAN, Sr.  
Chief Financial Officer

Exhibit 31.1

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, E. Van Cullens, certify that:

- (1) I have reviewed this quarterly report on Form 10-Q for the period ended December 31, 2005 of the Company;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
- (4) The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
  - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter (the Company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
- (5) The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):
  - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: February 9, 2006

/s/ E. VAN CULLENS  
E. Van Cullens  
President and Chief Executive Officer

Exhibit 31.2

**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Nicholas C. Hindman, Sr., certify that:

(1) I have reviewed this quarterly report on Form 10-Q for the period ended December 31, 2005 of the Company;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

(4) The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter (the Company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

(5) The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: February 9, 2006

/s/NICHOLAS C. HINDMAN, Sr.

Nicholas C. Hindman, Sr.

Treasurer, Secretary, Senior Vice President and Chief Financial Officer

**Exhibit 32.1**

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Westell Technologies, Inc. (the "Company") on Form 10-Q for the fiscal period ending December 31, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned Chief Executive Officer and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that based on their knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934;  
and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company as of and for the periods covered in the Report.

/s/ E. VAN CULLENS

E. Van Cullens  
Chief Executive Officer  
February 9, 2006

/s/NICHOLAS C. HINDMAN, Sr.

Nicholas C. Hindman, Sr.  
Chief Financial Officer  
February 9, 2006

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Westell Technologies, Inc. and will be retained by Westell Technologies, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished to the Securities and Exchange Commission as an exhibit to the Form 10-Q and shall not be considered filed as part of the Form 10-Q.