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

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended December 31, 2016

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	**36-3154957**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**
750 North Commons Drive, Aurora, IL	**60504**
(Address of principal executive offices)	**(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 ☒ No ☐

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

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

Large Accelerated Filer	☐	Accelerated Filer	☐
Non-Accelerated Filer	☐	Smaller Reporting Company	☒

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of January 27, 2017:

Class A Common Stock, $0.01 Par Value – 47,772,202 shares Class B Common Stock, $0.01 Par Value – 13,937,151 shares

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

Cautionary Statement Regarding Forward-Looking Information

Certain statements contained herein that are not historical facts or that contain the words “believe,” “expect,” “intend,” “anticipate,” “estimate,” “may,” “will,” “plan,” “should,” or derivatives thereof and other words of similar meaning are forward-looking statements that involve risks and uncertainties. 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, product demand and market acceptance risks, customer spending patterns, need for financing and capital, economic weakness in the United States (“U.S.”) economy and telecommunications market, the effect of international economic conditions and trade, legal, social and economic risks (such as import, licensing and trade restrictions), the impact of competitive products or technologies, competitive pricing pressures, customer product selection decisions, product cost increases, component supply shortages, new product development, excess and obsolete inventory, commercialization and technological delays or difficulties (including delays or difficulties in developing, producing, testing and selling new products and technologies), the ability to successfully consolidate and rationalize operations, the ability to successfully identify, acquire and integrate acquisitions, effects of the Company’s accounting policies, retention of key personnel and other risks more fully described in the Company's Form 10-K for the fiscal year ended March 31, 2016, under Item 1A - Risk Factors. The Company undertakes no obligation to publicly update these forward-looking statements to reflect current events or circumstances after the date hereof or to reflect the occurrence of unanticipated events or otherwise.

Trademarks

The following terms used in this filing are the Company's trademarks: ClearLink®, Kentrox®, Optima Management System®, UDIT®, WESTELL TECHNOLOGIES®, and Westell®. All other trademarks appearing in this filing are the property of their holders.

WESTELL TECHNOLOGIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share amounts)

	(unaudited) December 31, 2016	March 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	$ 23,842	$ 19,169
Short-term investments	—	10,555
Accounts receivable (net of allowance of $90 and $53 at December 31, 2016, and March 31, 2016, respectively)	11,212	16,361
Inventories	12,989	13,498
Prepaid expenses and other current assets	1,407	1,900
Total current assets	49,450	61,483
Land, property and equipment, gross	16,214	17,198
Less accumulated depreciation and amortization	(14,002)	(13,221)
Land, property and equipment, net	2,212	3,977
Intangible assets, net	16,775	20,388
Other non-current assets	190	183
Total assets	$ 68,627	$ 86,031
Liabilities and Stockholders’ Equity		
Current liabilities:		
Accounts payable	$ 6,417	$ 7,856
Accrued expenses	3,222	3,426
Accrued restructuring	1,755	1,537
Accrued compensation	814	2,506
Contingent consideration payable	—	311
Deferred revenue	2,276	1,601
Total current liabilities	14,484	17,237
Deferred revenue non-current	1,247	1,236
Net deferred income tax liability	30	10
Accrued restructuring non-current	111	550
Other non-current liabilities	257	314
Total liabilities	16,129	19,347
Commitments and contingencies (Note 9)		
Stockholders’ equity:		
Class A common stock, par $0.01, Authorized – 109,000,000 shares Outstanding – 47,731,792 and 47,184,725 shares at December 31, 2016, and March 31, 2016, respectively	477	472
Class B common stock, par $0.01, Authorized – 25,000,000 shares Issued and outstanding – 13,937,151 shares at both December 31, 2016, and March 31, 2016	139	139
Preferred stock, par $0.01, Authorized – 1,000,000 shares Issued and outstanding – none	—	—
Additional paid-in capital	415,713	414,374
Treasury stock at cost – 17,736,781 and 17,560,758 shares at December 31, 2016, and March 31, 2016, respectively	(35,318)	(35,174)
Cumulative translation adjustment	607	608
Accumulated deficit	(329,120)	(313,735)
Total stockholders’ equity	52,498	66,684
Total liabilities and stockholders’ equity	$ 68,627	$ 86,031

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

WESTELL TECHNOLOGIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)
(Unaudited)

	Three months ended December 31,		Nine months ended December 31,	
	2016	**2015**	**2016**	**2015**
Revenue	$ 14,983	$ 20,215	$ 47,579	$ 67,299
Cost of revenue [1]	8,929	12,252	30,593	40,676
Gross profit	6,054	7,963	16,986	26,623
Operating expenses:				
Research and development	2,414	4,893	10,018	14,604
Sales and marketing	1,943	3,900	8,220	11,209
General and administrative	1,777	2,627	6,340	8,089
Intangible amortization	1,212	1,418	3,613	4,249
Restructuring	490	—	3,055	17
Long-lived assets impairment	—	—	1,181	—
Total operating expenses	7,836	12,838	32,427	38,168
Operating profit (loss)	(1,782)	(4,875)	(15,441)	(11,545)
Other income (expense), net	(15)	85	76	62
Income (loss) before income taxes and discontinued operations	(1,797)	(4,790)	(15,365)	(11,483)
Income tax benefit (expense)	(10)	(7)	(20)	75
Net income (loss) from continuing operations	(1,807)	(4,797)	(15,385)	(11,408)
Discontinued Operations:				
Income from discontinued operations, net of income tax of $172 for the nine months ended December 31, 2015	—	—	—	272
Net income (loss) [2]	$ (1,807)	$ (4,797)	$ (15,385)	$ (11,136)
Basic net income (loss) per share:				
Basic net income (loss) from continuing operations	$ (0.03)	$ (0.08)	$ (0.25)	$ (0.19)
Basic net income (loss) from discontinued operations	—	—	—	—
Basic net income (loss) [3]	$ (0.03)	$ (0.08)	$ (0.25)	$ (0.18)
Diluted net income (loss) per share:				
Diluted net income (loss) from continuing operations	$ (0.03)	$ (0.08)	$ (0.25)	$ (0.19)
Diluted net income (loss) from discontinued operations	—	—	—	—
Diluted net income (loss) [3]	$ (0.03)	$ (0.08)	$ (0.25)	$ (0.18)
Weighted-average number of common shares outstanding:				
Basic	61,564	60,810	61,260	60,765
Effect of dilutive securities: restricted stock, restricted stock units, performance stock units and stock options [4]	—	—	—	—
Diluted	61,564	60,810	61,260	60,765

[1] The nine months ended December 31, 2016, includes $1.6 million of E&O expense for ClearLink DAS inventory and pipeline inventory. See Note 2.
[2] Net income (loss) and comprehensive income (loss) are the same for the periods reported.
[3] Totals may not sum due to rounding.
[4] The Company had 4.1 million and 5.1 million shares represented by common stock equivalents for the three and nine months ended December 31, 2016 , and 3.6 million and 3.5 million shares represented by common stock equivalents for the three and nine months ended December 31, 2015 , which were not included in the computation of average dilutive shares outstanding because they were anti-dilutive. In periods with a net loss from continuing operations, the basic loss per share equals the diluted loss per share as all common stock equivalents are excluded from the per share calculation.

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

WESTELL TECHNOLOGIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine months ended December 31,	
	2016	**2015**
Cash flows from operating activities:		
Net income (loss)	$ (15,385)	$ (11,136)
Reconciliation of net loss to net cash used in operating activities:		
Depreciation and amortization	4,714	5,335
Long-lived assets impairment	1,181	—
Stock-based compensation	1,346	974
Loss on sale of fixed assets	11	—
Restructuring	3,055	17
Deferred taxes	20	29
Exchange rate loss (gain)	44	17
Changes in assets and liabilities:		
Accounts receivable	5,098	(791)
Inventories	509	2,134
Prepaid expenses and other current assets	494	766
Other assets	(7)	150
Deferred revenue	686	(813)
Accounts payable and accrued expenses	(5,110)	1,347
Accrued compensation	(1,692)	1,215
Net cash provided by (used in) operating activities	(5,036)	(756)
Cash flows from investing activities:		
Maturities of held-to-maturity short-term debt securities	12,621	17,583
Maturities of other short-term investments	—	7,912
Purchases of held-to-maturity short-term debt securities	(2,066)	(2,831)
Proceeds from sale of land	—	264
Purchases of property and equipment	(527)	(1,776)
Net cash provided by (used in) investing activities	10,028	21,152
Cash flows from financing activities:		
Purchases of treasury stock	(146)	(87)
Payment of contingent consideration	(175)	(770)
Net cash provided by (used in) financing activities	(321)	(857)
Gain (loss) of exchange rate changes on cash	2	(6)
Net increase (decrease) in cash and cash equivalents	4,673	19,533
Cash and cash equivalents, beginning of period	19,169	14,026
Cash and cash equivalents, end of period	$ 23,842	$ 33,559

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

Note 1. *Basis of Presentation*

Description of Business

Westell Technologies, Inc. (the Company) is a holding company. Its wholly owned subsidiary, Westell, Inc., designs and distributes telecommunications products, which are sold primarily to major telephone companies. Noran Tel, Inc. is a wholly owned subsidiary of Westell, Inc. Noran Tel's operations focus on power distribution product development.

Basis of Presentation and Reporting

The accompanying Condensed Consolidated Financial Statements include the accounts of the Company and its wholly-owned subsidiaries. The Condensed Consolidated Financial Statements have been prepared using generally accepted accounting principles (GAAP) in the United States for interim financial reporting, and consistent with the instructions of Form 10-Q and Article 10 of Regulation S-X and, accordingly, they do not include all of the information and footnotes required in the annual consolidated financial statements and accompanying footnotes. The Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and accompanying notes included in the Company's Annual Report on Form 10-K for the year ended March 31, 2016. All intercompany accounts and transactions have been eliminated in consolidation.

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 condensed consolidated financial position and the results of operations, comprehensive income (loss) and cash flows at December 31, 2016, and for all periods presented. The results of operations for the periods presented are not necessarily indicative of the results that may be expected for fiscal year 2017.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and that affect revenue and expenses during the periods reported. Estimates are used when accounting for the allowance for uncollectible accounts receivable, net realizable value of inventory, product warranty accrued, relative selling prices, stock-based compensation, intangible assets fair value, depreciation, income taxes, and contingencies, among other things. Actual results could differ from those estimates.

Recently Issued Accounting Pronouncements Not Yet Adopted

In October 2016, the FASB issued ASU 2016-16, *Income Taxes: Intra-Entity Transfers of Assets Other Than Inventory* (ASU 2016-16). ASU 2016-16 requires the recognition of current and deferred income taxes for intra-entity asset transfers when the transaction occurs. ASU 2016-16 is effective for interim and annual reporting periods beginning after December 15, 2017. Early adoption is permitted. ASU 2016-16 is effective for us in the first quarter of fiscal 2019, and we are currently in the process of evaluating the potential impact of adoption of this updated authoritative guidance on our consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flow (Topic 230)* (ASU 2016-15). This update is intended to reduce diversity in practice in how certain transactions are classified in the statement of cash flows. The update provides new guidance regarding the classification of debt prepayment or debt extinguishment costs, settlement of zero-coupon debt instruments, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies, distributions received from equity method investments, beneficial interests in securitized transactions, and separately identifiable cash flows and application of the predominance principle. This standard will be effective for financial statements issued by public companies for the annual and interim periods beginning after December 15, 2017. Early adoption of the standard is permitted. The standard will be applied in a retrospective approach for each period presented. The Company is currently evaluating the potential impact ASU 2016-15 will have on the Company's Consolidated Financial Statements and related disclosures.

In February 2016, the FASB issued ASU 2016-02, *Leases* (ASU 2016-02). ASU 2016-02 establishes a comprehensive new lease accounting model. The new standard clarifies the definition of a lease and causes lessees to recognize leases on the balance sheet as a lease liability with a corresponding right-of-use asset for leases with a lease term of more than one year.

ASU 2016-02 is effective for financial statements issued for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted. The new standard requires a modified retrospective transition for capital or operating leases existing at or entered into after the beginning of the earliest comparative period presented in the financial statements, but it does not require transition accounting for leases that expire prior to the date of initial application. The Company is currently evaluating the impact that ASU 2016-02 will have on the Company's Consolidated Financial Statements and related disclosures.

In July 2015, the FASB issued ASU 2015-11, *Simplifying the Measurement of Inventory* (ASU 2015-11). The core principle of the guidance is that an entity should measure inventory at the "lower of cost and net realizable value" and options that currently exist for "market value" will be eliminated. The ASU defines net realizable value as the "estimated selling prices in the ordinary course of business, less reasonably predictable cost of completion, disposal, and transportation." The standard is effective for the Company's financial statements issued for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. Early adoption is permitted. The Company does not expect the adoption of ASU 2015-11 to have a material impact on its Consolidated Financial Statements or related disclosures.

In August 2014, the FASB issued ASU 2014-15, *Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern* (ASU 2014-15), to provide guidance on management’s responsibility in evaluating whether there is substantial doubt about a company’s ability to continue as a going concern and to provide related footnote disclosures. The amendments in this update are effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. Early application is permitted. The Company does not expect the adoption of ASU 2014-15 to have a significant impact on its Consolidated Financial Statements or related disclosures.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09), that outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. ASU 2014-09 is based on the principle that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to fulfill a contract. Entities have the option of using either a full retrospective or a modified retrospective approach for the adoption of the new standard. ASU 2014-09 becomes effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period; early adoption is not permitted. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606) — Deferral of the Effective Date* (ASU 2015-14), which defers the effective date of ASU 2014-09 for one year and permits early adoption as early as the original effective date of ASU 2014-09. The new revenue standard may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of adoption. In 2016, the FASB issued additional guidance to clarify the implementation guidance (ASU 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations*; ASU 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing*; ASU 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients:*and ASU 2016-20 *(Topic 606) Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers*. The Company is in the process of evaluating the available transition methods and the impact the guidance will have on the Company's Consolidated Financial Statements and related disclosures.

Other accounting standards and recent pronouncements that are not anticipated to have an impact on or are unrelated to the Company’s financial condition, results of operations, cash flows or disclosures are not discussed herein.

Note 2. *Restructuring Charges*

In the fourth quarter of fiscal year 2015, the Company approved a plan to restructure its business, including reduction of headcount and consolidation of office space within the Aurora headquarters facility, with the intent to optimize operations. The restructuring was substantially completed during the fourth quarter of fiscal year 2015. The Company recognized a restructuring expense of $3.2 million in the three months ended March 31, 2015, inclusive of a non-cash charge of $2.7 million related to a loss on a lease, net of sublease income (the 2015 restructuring). The Company recognized a restructuring expense of $17,000 in the nine months ended December 31, 2015. At December 31, 2016, $0.8 million was unpaid.

In the fourth quarter of fiscal year 2016, the Company approved a plan to restructure its business, including reduction of headcount and lease termination costs related to closing the design center in Canada, to bring operating costs and expenses in-line with anticipated business volumes (the 2016 restructuring). The 2016 restructuring was completed during the fourth quarter of fiscal year 2016, during which the Company recognized a restructuring expense of $0.7 million. All of these costs have been paid as of December 31, 2016.

In the first quarter of fiscal year 2017, the Company approved a restructuring plan (the 2017 restructuring), including discontinuing development of the ClearLink Distributed Antenna System (DAS), a general reduction of headcount that spans all three segments, and consolidation of facilities in Manchester, NH and Aurora, IL. The Company recognized a restructuring expense of $0.5 million and $3.1 million in the three and nine months ended December 31, 2016, inclusive of non-cash charges of approximately $1.0 million related to losses on leased facilities, $1.3 million of employee termination costs, and $0.7 million of other associated costs. In addition to the restructuring expense, a $1.2 million impairment charge of fixed assets and $1.6 million of E&O expense for ClearLink DAS inventory and pipeline inventory was recorded in the nine months ended December 31, 2016, associated with the IBW segment. The Company expects to incur further restructuring costs of approximately $0.1 million for the remainder of the 2017 restructuring plan. The planned restructuring is scheduled to be substantially completed by March 31, 2017. At December 31, 2016, $1.1 million was unpaid.

As of December 31, 2016, $1.8 million and $0.1 million of the restructuring costs, primarily related to the office space from the 2015 restructuring and 2017 restructuring, are unpaid and accrued on the Condensed Consolidated Balance Sheets presented in accrued restructuring and accrued restructuring non-current, respectively. As of March 31, 2016, $1.5 million and $0.6 million of the restructuring costs, primarily related to the office space from the 2015 restructuring, are unpaid and accrued on the Condensed Consolidated Balance Sheets presented in accrued restructuring and accrued restructuring non-current, respectively. The restructuring costs are expected to be paid in full by the first quarter of fiscal year 2019 concurrent with the termination date of the contractual lease.

Total liability for restructuring charges and their utilization for the nine months ended December 31, 2016, and 2015, are summarized as follows:

	Nine months ended December 31, 2016			Nine months ended December 31, 2015		
(in thousands)	Employee-related	Other costs	Total	Employee-related	Other costs	Total
Liability at beginning of period	$ 441	$ 1,646	$ 2,087	$ 15	$ 2,788	$ 2,803
Charged	1,332	1,723	3,055	17	—	17
Paid	(1,493)	(1,783)	(3,276)	(32)	(869)	(901)
Liability at end of period	$ 280	$ 1,586	$ 1,866	$ —	$ 1,919	$ 1,919

Note 3. *Interim Segment Information*

Segment information is presented in accordance with a “management approach", which designates the internal reporting used by the chief operating decision-maker (CODM) for making decisions and assessing performance as the source of the Company's reportable segments. Westell’s Chief Executive Officer is the CODM. In the first quarter of fiscal 2017, the Company re-aligned the business and revised its segments into three reportable operating segments. The CODM continues to define segment profit as gross profit less research and development expenses. In order to provide information that is comparable year to year, fiscal year 2016 segment information has been restated to reflect the new reporting structure. The accounting policies of the segments are the same as those for Westell Technologies, Inc. described in the summary of significant accounting policies included in the Company's Annual Report on Form 10-K for year ended March 31, 2016.

The Company’s three reportable segments are as follows:

In-Building Wireless (IBW) Segment

The IBW segment solutions include distributed antenna systems (DAS) conditioners, high-performance digital repeaters and bi-directional amplifiers (BDAs), specialty repeaters for Public Safety in-building wireless coverage, and system components and antennas, all to enable cellular coverage into areas not served well or at all by the existing "macro" cellular network.

Intelligent Site Management and Services (ISMS) Segment

The ISMS segment solutions, which were formerly part of the Communications Solutions Group (CSG) segment, are as follows:

• Intelligent Site Management (ISM) solutions include a suite of remote devices which provide comprehensive machine-to-machine (M2M) communications that enable operators to remotely monitor, manage, and control site infrastructure and support systems. ISM remotes can be and often are combined with the Company’s ISM Optima management software system.

• Service offerings include support agreements and deployment services.

Communications Network Solutions (CNS) Segment

The CNS segment solutions, which were also formerly part of the Communications Solutions Group (CSG) segment, are as follows:

• Outside Plant (OSP) solutions include a broad range of essential outdoor network infrastructure offerings, including integrated cabinets, power distribution products, copper and fiber network connectivity panels, and T1 network interface units.

• Cell Site Optimization (CSO) solutions include tower mounted amplifiers (TMAs), outdoor-hardened units mounted on cell towers, enabling wireless service providers to improve the overall performance of a cell site, including increasing data throughput and reducing dropped connections.

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Segment information for the three and nine months ended December 31, 2016, and 2015, is set forth below:

	Three months ended December 31, 2016			
(in thousands)	IBW	ISMS	CNS	Total
Revenue	$ 6,224	$ 5,525	$ 3,234	$ 14,983
Cost of revenue	3,713	2,730	2,486	8,929
Gross profit	2,511	2,795	748	6,054
Gross margin	40.3%	50.6%	23.1%	40.4%
Research and development	1,307	805	302	2,414
Segment profit	$ 1,204	$ 1,990	$ 446	3,640
Operating expenses:				
Sales and marketing				1,943
General and administrative				1,777
Intangible amortization				1,212
Restructuring				490
Operating profit (loss)				(1,782)
Other income (expense), net				(15)
Income tax benefit (expense)				(10)
Net income (loss) from continuing operations				$ (1,807)

	Three months ended December 31, 2015			
(in thousands)	IBW	ISMS	CNS	Total
Revenue	$ 8,680	$ 6,147	$ 5,388	$ 20,215
Cost of revenue	5,361	3,209	3,682	12,252
Gross profit	3,319	2,938	1,706	7,963
Gross margin	38.2%	47.8%	31.7%	39.4%
Research and development	2,701	1,363	829	4,893
Segment profit	$ 618	$ 1,575	$ 877	3,070
Operating expenses:				
Sales and marketing				3,900
General and administrative				2,627
Intangible amortization				1,418
Operating profit (loss)				(4,875)
Other income (expense), net				85
Income tax benefit (expense)				(7)
Net income (loss) from continuing operations				$ (4,797)

(in thousands)	Nine months ended December 31, 2016 IBW		ISMS	CNS	Total
Revenue	$ 18,989		$ 14,773	$ 13,817	$ 47,579
Cost of revenue	13,251	(1)	7,552	9,790	30,593
Gross profit	5,738		7,221	4,027	16,986
Gross margin	30.2%		48.9%	29.1%	35.7%
Research and development	5,265		3,336	1,417	10,018
Segment profit	$ 473		$ 3,885	$ 2,610	6,968
Operating expenses:					
Sales and marketing					8,220
General and administrative					6,340
Intangible amortization					3,613
Restructuring					3,055
Long-lived assets impairment					1,181
Operating profit (loss)					(15,441)
Other income (expense), net					76
Income tax benefit (expense)					(20)
Net income (loss) from continuing operations					$ (15,385)

(in thousands)	Nine months ended December 31, 2015 IBW	ISMS	CNS	Total
Revenue	$ 28,569	$ 16,538	$ 22,192	$ 67,299
Cost of revenue	16,702	8,225	15,749	40,676
Gross profit	11,867	8,313	6,443	26,623
Gross margin	41.5%	50.3%	29.0%	39.6%
Research and development	8,638	3,946	2,020	14,604
Segment profit	$ 3,229	$ 4,367	$ 4,423	12,019
Operating expenses:				
Sales and marketing				11,209
General and administrative				8,089
Intangible amortization				4,249
Restructuring				17
Operating profit (loss)				(11,545)
Other income (expense), net				62
Income tax benefit (expense)				75
Net income (loss) from continuing operations				$ (11,408)

(1) The nine months ended December 31, 2016, includes E&O expense for ClearLink DAS inventory and pipeline inventory. See Note 2, *Restructuring Charges*.

Segment asset information is not reported to or used by the CODM.

Note 4. ***Inventories***

Inventories are stated at the lower of first-in, first-out cost or market value. The components of inventories are as follows:

(in thousands)	December 31, 2016	March 31, 2016
Raw materials	$ 3,487	$ 6,174
Work-in-process	—	237
Finished goods	9,502	7,087
Total inventories	$ 12,989	$ 13,498

Note 5. ***Stock-Based Compensation***

The Westell Technologies, Inc. 2015 Omnibus Incentive Compensation Plan (the 2015 Plan) was approved at the annual meeting of stockholders on September 16, 2015. The 2015 Plan replaced the Westell Technologies, Inc. 2004 Stock Incentive Plan (the 2004 Plan). If any award granted under the 2015 Plan or the 2004 Plan is canceled, terminates, expires, or lapses for any reason, any Shares subject to such award shall again be available for the grant of an award under the 2015 Plan. Shares subject to an award shall not again be made available for issuance under the Plan if such Shares are: (a) shares delivered to or withheld by the Company to pay the grant or purchase price of an award, or (b) shares delivered to or withheld by the Company to pay the withholding taxes related to an award. The stock options, restricted stock awards, and restricted stock units (RSUs) awarded under the 2015 Plan vest in equal annual installments over 3 years for employees and 1 year for independent directors. The stock options, restricted stock awards, and RSUs awarded under the 2004 Plan vest in equal annual installments over 4 years. Performance stock units (PSUs) earned vest over the performance period, as described below. Certain awards provide for accelerated vesting if there is a change in control (as defined in the 2015 Plan), or when provided within individual employment contracts. The Company recorded incremental stock-based compensation expense of approximately $0.4 million during the nine months ended December 31, 2016, as a result of accelerated vesting. The Company accounts for forfeitures as they occur. The Company issues new shares for stock awards under the 2015 Plan.

The following table is a summary of total stock-based compensation expense resulting from stock options, restricted stock, RSUs and PSUs, during the three and nine months ended December 31, 2016, and 2015:

	Three months ended December 31,		Nine months ended December 31,	
(in thousands)	2016	2015	2016	2015
Stock-based compensation expense	$ 253	$ 264	$ 1,346	$ 974
Income tax benefit	—	—	—	—
Total stock-based compensation expense, after taxes	$ 253	$ 264	$ 1,346	$ 974

Stock Options

Stock option activity for the nine months ended December 31, 2016, is as follows:

	Shares	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value [(1)] (in thousands)
Outstanding on March 31, 2016	1,847,500	$ 1.42	5.6	$ 9
Granted	1,512,250	1.06		
Exercised	—	—		
Forfeited	(1,379,375)	1.19		
Expired	(513,792)	1.51		
Outstanding on December 31, 2016	1,466,583	$ 1.23	5.7	$ 27

(1) The intrinsic value for the stock options is calculated based on the difference between the exercise price of the underlying awards and the Westell Technologies' closing stock price as of the respective reporting date.

The weighted-average grant date fair value of stock options granted during the nine months ended December 31, 2016, was $0.42 per share.

Restricted Stock

The following table sets forth restricted stock activity for the nine months ended December 31, 2016:

	Shares	Weighted-Average Grant Date Fair Value
Non-vested as of March 31, 2016	217,500	$ 2.07
Granted	60,000	0.50
Vested	(177,500)	1.86
Forfeited	—	—
Non-vested as of December 31, 2016	100,000	$ 1.50

RSUs

The following table sets forth the RSU activity for the nine months ended December 31, 2016:

	Shares	Weighted-Average Grant Date Fair Value
Non-vested as of March 31, 2016	1,843,375	$ 1.59
Granted	1,739,750	1.01
Vested	(650,622)	1.62
Forfeited	(1,489,125)	1.29
Non-vested as of December 31, 2016	1,443,378	$ 1.20

PSUs

During the third quarter of fiscal year 2017, 225,000 and 262,324 PSUs were granted to the Interim Chief Executive Officer (CEO) and other key employees, respectively. The PSUs granted to the CEO contained vesting criteria based upon achievement of certain performance goals (either by reducing quarterly operating expenses in the third or fourth quarter to a certain level or achieving profitability in the third or fourth quarter on a non-GAAP basis) tied to the cost savings plan approved by the Board and the PSUs granted to employees had similar targets but required meeting such performance targets in both the third and fourth quarters. In the fourth quarter, the Compensation Committee after reviewing the financial results for the third quarter determined that all 225,000 PSUs issued to the CEO met the performance standard and will vest. The PSUs granted to key employees have a continued employment provision in addition to the achievement of certain performance goals tied to the cost savings plan approved by the Board and after meeting the performance standards will vest 1 year from the grant date. Upon vesting, the PSUs convert into shares of Class A Common Stock of the Company on a one-for-one basis.

For PSUs granted prior to fiscal year 2017, the PSUs vest in annual increments based on the achievement of pre-established Company performance goals and continued employment. The number of PSUs earned, if any, can range from 0% to 200% of the target amount, depending on actual performance for four fiscal years following the grant date. Upon vesting, the PSUs convert into shares of Class A Common Stock on a one-for-one basis.

The following table sets forth the PSU activity for the nine months ended December 31, 2016:

	Shares	Weighted-Average Grant Date Fair Value
Non-vested as of March 31, 2016 (at target)	64,075	$ 3.29
Granted, at target	487,324	0.48
Vested	(11,713)	2.53
Forfeited	(10,472)	3.43
Non-vested as of December 31, 2016 (at target) [1]	529,214	$ 0.72

[1] includes the 225,000 PSUs earned in the 3Q17 and issued in the 4Q17

Note 6. *Product Warranties*

The Company’s products carry a limited warranty ranging from one to five years for the products within the IBW segment, typically one year for products within the ISMS segment, and one to seven years for products within the CNS segment. The specific terms and conditions of those warranties vary depending upon the customer and the products sold. Factors that affect the estimate of the Company's warranty reserve include: the number of units shipped, 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 current portions of the warranty reserve are $228,000 and $229,000 as of December 31, 2016, and March 31, 2016, respectively, and are presented on the Condensed Consolidated Balance Sheets in Accrued expenses. The non-current portions of the warranty reserves are $242,000 and $207,000 as of December 31, 2016, and March 31, 2016, respectively, and are presented on the Condensed Consolidated Balance Sheets in Other non-current liabilities.

The following table presents the changes in the Company's product warranty reserve:

	Three months ended December 31,		Nine months ended December 31,	
(in thousands)	2016	2015	2016	2015
Total product warranty reserve at the beginning of the period	$ 460	$ 520	$ 436	$ 505
Warranty expense to cost of revenue	12	75	80	229
Utilization	(2)	(23)	(46)	(162)
Total product warranty reserve at the end of the period	$ 470	$ 572	$ 470	$ 572

Note 7. ***Variable Interest Entity and Guarantee***

The Company has a 50% equity ownership in AccessTel Kentrox Australia PTY LTD (AKA). AKA distributes network management solutions provided by the Company and the other 50% owner to one customer. The Company holds equal voting control with the other owner. All actions of AKA are decided at the board level by majority vote. The Company evaluated ASC 810, *Consolidations*, and concluded that AKA is a variable interest entity (VIE) and the Company has a variable interest in the VIE. The Company has concluded that it is not the primary beneficiary of AKA and, therefore, consolidation is not required. As of December 31, 2016, and March 31, 2016, the carrying amount of the Company's investment in AKA was approximately $0.1 million, which is presented on the Condensed Consolidated Balance Sheets within Other non-current assets.

The Company's revenue from sales to AKA for the three months ended December 31, 2016, and 2015, was $0.3 million and $1.1 million, respectively. The Company's revenue from sales to AKA for the nine months ended December 31, 2016, and 2015, was $2.0 million and $2.5 million, respectively. Accounts receivable from AKA was $1.0 million and $0.6 million as of December 31, 2016, and March 31, 2016, respectively. Deferred revenue, which primarily relates to AKA maintenance contracts, was $2.7 million and $1.7 million as of December 31, 2016, and March 31, 2016, respectively. The Company also has provided an unlimited guarantee for the performance of the other 50% owner in AKA, which primarily provides support and engineering services to the customer. This guarantee was put in place at the request of the AKA customer. The guarantee, which is estimated to have a maximum potential future payment of $0.7 million, will stay in place as long as the contract between AKA and the customer is in place. The Company would have recourse against the other 50% owner in AKA in the event the guarantee is triggered. The Company determined that it could perform on the obligation it guaranteed at a positive rate of return and, therefore, did not assign value to the guarantee. The Company's exposure to loss as a result of its involvement with AKA, exclusive of lost profits, is limited to the items noted above.

Note 8. ***Income Taxes***

At the end of each interim period, the Company makes its best estimate of the effective tax rate expected to be applicable for the full fiscal year and uses that rate to provide for income taxes on a current year-to-date basis before discrete items. If a reliable estimate cannot be made, the Company may make a reasonable estimate of the annual effective tax rate, including use of the actual effective rate for the year-to-date. The impact of discrete items is recorded in the quarter in which they occur. The Company utilizes the liability method of accounting for income taxes and deferred taxes, which are determined based on the differences between the financial statements and tax basis of assets and liabilities given the enacted tax laws. The Company evaluates the need for valuation allowances on the net deferred tax assets under the rules of ASC 740, *Income Taxes.* In assessing the realizability of the Company's deferred tax assets, the Company considered whether it is more likely than not that some or all of the deferred tax assets will be realized through the generation of future taxable income. In making this determination, the Company assessed all of the evidence available at the time, including recent earnings, forecasted income projections and historical performance. The Company determined that the negative evidence outweighed the objectively verifiable positive evidence and previously recorded a full valuation allowance against deferred tax assets. The Company will continue to reassess realizability going forward.

The Company recorded $10,000 and $20,000 of income tax expense in the three and nine months ended December 31, 2016, using an effective income tax rate of (0.13)% plus discrete items. The Company recorded $7,000 of income tax expense and $75,000 of income tax benefit in the three and six months ended December 31, 2015, using an effective rate of 1.00% plus discrete items. The effective rate is impacted by the intraperiod allocation as a result of loss from continuing operations and income from discontinued operations, loss in a foreign jurisdiction with no valuation allowance, and states which base tax on gross margin and not pretax income.

Note 9. *Commitments and Contingencies*

Obligations

Future obligations and commitments, which are comprised of future minimum lease payments, inventory purchase obligations, and contingent consideration, were $8.0 million and $11.8 million at December 31, 2016, and March 31, 2016, respectively.

Purchase obligations relate to inventory that arises in the normal course of business operations. Future obligations and commitments as of December 31, 2016, consisted of the following:

	Payments due within						
(in thousands)	Year 1	Year 2	Year 3	Year 4	Year 5	Thereafter	Total
Purchase obligations [1]	$ 6,072	$ —	$ —	$ —	$ —	$ —	$ 6,072
Future minimum operating lease payments	1,533	280	87	—	—	—	1,900
Future obligations and commitments	$ 7,605	$ 280	$ 87	$ —	$ —	$ —	$ 7,972

[1] A reserve for a net loss on firm purchase commitments of $180,000 and $388,000 is recorded on the balance sheet as of December 31, 2016, and March 31, 2016, respectively.

Litigation and Contingency Reserves

The Company and its subsidiaries are involved in various assertions, claims, proceedings and requests for indemnification concerning intellectual property, including patent infringement suits involving technologies that may be incorporated in the Company's products, which are being handled and defended in the ordinary course of business. These matters are in various stages of investigation and litigation, and they are being vigorously defended. Although the Company does not expect that the outcome in any of these matters, individually or collectively, will have a material adverse effect on its financial condition or results of operations, litigation is inherently unpredictable. Therefore, judgments could be rendered, or settlements entered, that could adversely affect the Company's operating results or cash flows in a particular period. The Company routinely assesses all of its litigation and threatened litigation as to the probability of ultimately incurring a liability, and it records its best estimate of the ultimate loss in situations where it assesses the likelihood of loss as probable. As of December 31, 2016, and March 31, 2016, the Company has not recorded any contingent liability attributable to existing litigation.

As of March 31, 2015, the Company had total contingency reserves of $0.4 million related to the discontinued operations of ConferencePlus, which was sold in fiscal year 2012. In the nine months ended December 31, 2015, a pre-tax gain of $0.4 million resulted from the expiration of an indemnity period and release of a contingency reserve related to the sale of ConferencePlus and was recorded in discontinued operations.

Additionally, the Company had a contingent cash consideration payable related to an acquisition. As of March 31, 2016, the fair value of the contingent consideration liability after offsetting a working capital adjustment and an indemnification claim for warranty obligations was $311,000. As of September 30, 2016, the contingent liability was paid in full. The contingent consideration was based upon the profitability of the acquired products for post-closing periods through June 30, 2016, and was offset by working capital adjustments and other indemnification claims. The maximum earn-out that could have been paid before offsets was $3.5 million. The final calculation performed during the quarter ended June 30, 2016, determined the actual cash payment for the contingent consideration to be $2.1 million.

Note 10. *Short-term Investments*

As of March 31, 2016, the Company had short-term investments of $10.6 million. There were no short-term investments as of December 31, 2016, as they were all converted to cash equivalents. The Company did not sell any of the investments held as of March 31, 2016, prior to maturity. The fair value of short-term investments approximates their carrying amounts due to the short-term nature of these financial assets and, therefore, there are no unrecognized gains or losses.

Note 11. ***Fair Value Measurements***

Fair value is defined by ASC 820, *Fair Value Measurements and Disclosures* (ASC 820), as the price that would be received upon selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1 – Quoted prices in active markets for identical assets and liabilities.
- Level 2 – Quoted prices in active markets for similar assets and liabilities, or other inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The Company's money market funds are measured using Level 1 inputs. The contingent consideration described in Note 9 was measured using Level 3 inputs.

The following table presents available-for sale securities measured at fair value on a recurring basis as of December 31, 2016:

(in thousands)	Total Fair Value of Asset or Liability	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance Sheet Classification
Assets:					
Money market funds	$ 17,144	$ 17,144	—	—	Cash and cash equivalents

The following table presents available-for sale securities and non-financial liabilities measured at fair value on a recurring basis as of March 31, 2016:

(in thousands)	Total Fair Value of Asset or Liability	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance Sheet Classification
Assets:					
Money market funds	$ 10,043	$ 10,043	—	—	Cash and cash equivalents
Liabilities:					
Contingent consideration, current	$ 311	—	—	$ 311	Contingent consideration payable

The fair value of the money market funds approximates their carrying amounts due to the short-term nature of these financial assets.

In connection with an acquisition in the quarter ended June 30, 2012, payment of a portion of the purchase price was contingent upon the profitability of the acquired products for post-closing periods through June 30, 2016, and was offset by working capital adjustments and other indemnification claims. The Company estimated the fair value of contingent consideration as the present value of the expected payments over the term of the arrangement based on financial forecasts of future profitability of the acquired products, and reaching the forecast. The final calculation performed during the quarter ended June 30, 2016, determined the actual cash payment for the contingent consideration to be $2.1 million, which was paid in full as of September 30, 2016.

The fair value measurement of contingent consideration as of March 31, 2016, encompasses the following significant unobservable inputs:

($ in thousands)		Unobservable Inputs
		March 31, 2016
Estimated earn-out contingent consideration	$	2,968
Working capital and other adjustment	$	(444)
Indemnification related to warranty claims	$	(303)
Discount rate		—%
Approximate timing of cash flows		0.4 years

The following table summarizes contingent consideration activity:

(in thousands)		
Balance as of March 31, 2016	$	311
Contingent consideration – payments		(175)
Contingent consideration – change in fair value in General and Administrative expense		(136)
Balance as of December 31, 2016	$	—

Note 12. *Share Repurchases*

In August 2011, the Board of Directors authorized a share repurchase program whereby the Company may repurchase up to an aggregate of $20.0 million of its outstanding Class A Common Stock (the authorization). There were no shares repurchased under this authorization during the nine months ended December 31, 2016, or December 31, 2015. There was approximately $0.1 million remaining for additional share repurchases under this program as of December 31, 2016.

Additionally, in the nine months ended December 31, 2016, and December 31, 2015, the Company repurchased 176,023 and 75,320 shares of Class A Common Stock, respectively, from certain employees that were surrendered to satisfy the minimum statutory tax withholding obligations on the vesting of restricted stock, RSUs and PSUs. These repurchases are not included in the authorized share repurchase program and had a weighted-average purchase price of $0.83 and $1.15 per share, respectively.

Note 13. *Intangible and Long-Lived Assets*

Intangible Assets

Intangible assets include customer relationships, trade names, developed technology and other intangibles. Intangible assets with determinable lives are amortized over their estimated useful lives. Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Determination of recoverability is based on an estimate of undiscounted future cash flows resulting from the use of the asset and its eventual disposition. If the carrying amount of an asset exceeds its estimated future undiscounted cash flows, an impairment loss is recorded for the excess of the asset’s carrying amount over its fair value. Intangible asset impairment charges are presented in intangible amortization on the Condensed Consolidated Statements of Operations.

During the third quarter of fiscal year 2017, the Company experienced triggering events that resulted in the Company testing its intangible assets for impairment. As a result of the Company reorganizing its reporting structure in the first quarter of fiscal year 2017, the Company reassigned assets and liabilities to reporting units. In evaluating whether it is more likely than not that the fair value of the Company's reporting units were less than their carrying value, the Company assessed all relevant events and circumstances and determined that, due to the overall financial performance of the Company and recent change in reporting structure, indicators of impairment were present.

The Company performed an evaluation to test IBW, ISMS and CNS intangible assets for recoverability and concluded there was no impairment during the nine months ended December 31, 2016, for the IBW and ISMS the reporting units. During the third quarter of fiscal 2017, CNS revenue declined more than previously forecasted. As a result, the CNS reporting unit did not pass the recoverability test, therefore the Company completed the second step of the evaluation, which compares the implied fair value of the intangible assets as determined using the multiple-period excess earnings method and the distributor model, with the carrying value to determine the amount of the impairment loss. As a result of that impairment evaluation, the Company concluded that the customer list acquired from the previous ANTONE acquisition for its TMA products was impaired and recorded an impairment charge of $31,000 during the quarter ended December 31, 2016, to reduce the value of the asset to $0.1 million, which will be amortized over the remaining useful life of 1.5 years.

Long-lived Assets

Long-lived assets consist of property and equipment. Long-lived assets that are held and used should be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the long-lived assets might not be recoverable. Due to a significant adverse change in the business climate connected to the ClearLink DAS development project, the Company determined indicators of impairment were present as of June 30, 2016. The Company determined that equipment related to development and manufacturing of this product were fully impaired and recorded an impairment charge of $1.2 million. Long-lived asset impairment charges are presented in long-lived asset impairment on the Condensed Consolidated Statements of Operations. See Note 2 *Restructuring Charges*.

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

Overview

The following discussion should be read together with the Condensed Consolidated Financial Statements and the related Notes thereto and other financial information appearing elsewhere in this Form 10-Q. All references herein to the term "fiscal year" shall mean a year ended March 31 of the year specified.

Westell Technologies, Inc., (the Company) is a leading provider of high-performance wireless infrastructure solutions focused on innovation and differentiation at the edge of telecommunication networks, where end users connect. The Company's comprehensive set of products and solutions enable service providers and network operators to improve performance and reduce operating expenses. With millions of products successfully deployed worldwide, Westell is a trusted partner for transforming networks into high performance, reliable systems.

In the first quarter of fiscal 2017, the Company re-aligned the business and revised its segments into three reportable operating segments : In-Building Wireless, Intelligent Site Management and Services, and Communications Network Solutions.

In-Building Wireless (IBW) Segment

The IBW segment solutions include distributed antenna systems (DAS) conditioners, high-performance digital repeaters and bi-directional amplifiers (BDAs), specialty repeaters for Public Safety in-building wireless coverage, and system components and antennas, all to enable cellular coverage into areas not served well or at all by the existing "macro" cellular network.

Intelligent Site Management and Services (ISMS) Segment

The ISMS segment solutions, which were formerly part of the Communications Solutions Group (CSG) segment, are as follows:

• Intelligent Site Management (ISM) solutions include a suite of remote devices which provide comprehensive machine-to-machine (M2M) communications that enable operators to remotely monitor, manage, and control site infrastructure and support systems. ISM remotes can be and often are combined with the Company's ISM Optima management software system.

• Service offerings include support agreements and deployment services.

Communications Network Solutions (CNS) Segment

The CNS segment solutions, which were also formerly part of the Communications Solutions Group (CSG) segment, are as follows:

• Outside Plant (OSP) solutions include a broad range of essential outdoor network infrastructure offerings, including integrated cabinets, power distribution products, copper and fiber network connectivity panels, and T1 network interface units.

• Cell Site Optimization (CSO) solutions include tower mounted amplifiers (TMAs), outdoor-hardened units mounted on cell towers, enabling wireless service providers to improve the overall performance of a cell site, including increasing data throughput and reducing dropped connections.

<u>Customers</u>

The Company's customer base for its products includes communications service providers, systems integrators, neutral-host operators, and distributors. Due to the stringent customer quality specifications and regulated environments in which customers operate, the Company must undergo lengthy approval and procurement processes prior to selling most of its products. Accordingly, the Company must make significant up-front investments in product and market development prior to actual commencement of sales of new products. The prices for the Company's products vary based upon volume, customer specifications, and other criteria, and they are subject to change for a variety of reasons, including cost and competitive factors.

To remain competitive, the Company must continue to invest in new product development and in targeted sales and marketing efforts to launch new product lines. Failure to increase revenues from new products, whether due to lack of market acceptance, competition, technological change, or otherwise, could 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 invest in product research and development activities.

In view of the Company’s reliance on the telecommunications market for revenues, the project nature of the business, unpredictability of orders, and pricing pressures, the Company believes that period-to-period comparisons of its financial results should not be relied upon as an indication of future performance. The Company has experienced quarterly fluctuations in customer ordering and purchasing activity due primarily to the project-based nature of the business and to budgeting and procurement patterns toward the end of the calendar year or the beginning of a new year. While these factors can result in the greatest fluctuations in the Company's third and fourth fiscal quarters, this is not always consistent and may not always correlate to financial results.

On September 27, 2016, the Company announced that the Board of Directors has appointed Kirk R. Brannock as interim President and Chief Executive Officer. The Company also announced that Dennis O. Harris, a Director of the Company since January 2010, has been appointed interim Chairman of the Board. Along with these management changes, the Company is executing a plan to reduce its operating cost structure to more quickly return to profitability and generate stockholder value, while focusing on sales and product development initiatives.

The Company is currently in negotiations for a new lease for our Aurora, Illinois headquarters for a reduced footprint more suitable to our current operation with significantly reduced lease payments. Our current lease expires on September 30, 2017.

Results of Operations

Below is a table that compares revenue for the three and nine months ended December 31, 2016, and 2015, by segment.

Revenue

	Three months ended December 31,			Nine months ended December 31,		
(in thousands)	2016	2015	Change	2016	2015	Change
IBW	$ 6,224	$ 8,680	$ (2,456)	$ 18,989	$ 28,569	$ (9,580)
ISMS	5,525	6,147	(622)	14,773	16,538	(1,765)
CNS	3,234	5,388	(2,154)	13,817	22,192	(8,375)
Consolidated revenue	$ 14,983	$ 20,215	$ (5,232)	$ 47,579	$ 67,299	$ (19,720)

IBW revenue was $6.2 million and $19.0 million in the three and nine months ended December 31, 2016, compared to $8.7 million and $28.6 million in the same periods in the prior year. The decrease in revenue in both the three and nine month periods was due primarily to decreases in sales of passive DAS conditioners. While the market for stand-alone DAS conditioners remains strong, customers that continue to purchase them have converted their use to active DAS conditioners. Sales of our active DAS conditioner - the Universal DAS Interface Tray (or UDIT), have remained strong over this period of time.

ISMS revenue was $5.5 million and $14.8 million in the three and nine months ended December 31, 2016, compared to $6.1 million and $16.5 million in the same periods in the prior year. The decrease in the three and nine months ended December 31, 2016, was due to lower overall sales of Remote units to existing customers and a decrease in support services revenue.

CNS revenue was $3.2 million and $13.8 million in the three and nine months ended December 31, 2016, compared to $5.4 million and $22.2 million, in the same periods in the prior year. The decrease in both the three and nine months ended December 31, 2016, was primarily due to lower sales across all of the product lines in this segment, with tower mounted amplifiers representing the most significant decline. CNS consists of product lines such as T1 NIUs which are in late life cycle management, as well as integrated cabinets in which the revenue tends to be lumpy based on the timing of customer projects.

Gross Margin

	Three months ended December 31,			Nine months ended December 31,		
	2016	2015	Change	2016	2015	Change
IBW	40.3%	38.2%	2.1 %	30.2%	41.5%	(11.3)%
ISMS	50.6%	47.8%	2.8 %	48.9%	50.3%	(1.4)%
CNS	23.1%	31.7%	(8.6)%	29.1%	29.0%	0.1 %
Consolidated gross margin	40.4%	39.4%	1.0 %	35.7%	39.6%	(3.9)%

IBW gross margin was 40.3% and 30.2% for the three and nine months ended December 31, 2016, compared to 38.2% and 41.5% for the same periods in the prior year. The improved gross margin for the three months ended December 31, 2016, was due to recent actions by the Company to lower its cost structure, including the consolidation of final test and assembly operations at Spinnaker. The decrease in gross margin for the nine months ended December 31, 2016, was primarily due to higher charges for excess and obsolete inventory, largely attributable to the cancellation of the ClearLink DAS project.

ISMS gross margin was 50.6% and 48.9% for the three and nine months ended December 31, 2016, respectively, compared to 47.8% and 50.3% in the same respective periods in the prior year. The improved gross margin for the three months ended December 31, 2016, was primarily due to a more favorable mix. The decrease in gross margin for the nine months ended December 31, 2016, was primarily due to lower pricing on deployment services revenue.

CNS gross margin was 23.1% and 29.1% for the three and nine months ended December 31, 2016, compared to 31.7% and 29.0% in the same respective periods in the prior year. The decrease in gross margin for the three months ended December 31, 2016, was primarily due to lower revenue.

Research and Development

	Three months ended December 31,			Nine months ended December 31,		
(in thousands)	2016	2015	Change	2016	2015	Change
IBW	$ 1,307	$ 2,701	$ (1,394)	$ 5,265	$ 8,638	$ (3,373)
ISMS	805	1,363	(558)	3,336	3,946	(610)
CNS	302	829	(527)	1,417	2,020	(603)
Consolidated research and development expense	$ 2,414	$ 4,893	$ (2,479)	$ 10,018	$ 14,604	$ (4,586)

Consolidated research and development costs decreased by $2.5 million and $4.6 million in the three and nine months ended December 31, 2016, respectively, compared to the same periods in the prior year. Research and development expense in the IBW segment decreased by $1.4 million and $3.4 million in the three and nine months ended December 31, 2016, compared to the same periods in the prior year due to $1.1 million and $1.9 million of decreased manpower related expenses in the three and nine months ended December 31, 2016, respectively, and $0.4 million of prototype expense in the nine months ended December 31, 2016. The decrease in expenses were primarily associated with the previously announced discontinuation of the ClearLink DAS development project.

Sales and Marketing

	Three months ended December 31,			Nine months ended December 31,		
(in thousands)	2016	2015	Change	2016	2015	Change
Consolidated sales and marketing expense	$ 1,943	$ 3,900	$ (1,957)	$ 8,220	$ 11,209	$ (2,989)

Sales and marketing expense was $1.9 million and $8.2 million in the three and nine months ended December 31, 2016, respectively, compared to $3.9 million and $11.2 million in same respective periods in the prior year. The decrease was due primarily to lower payroll and headcount related expenses in our sales organization.

General and Administrative

	Three months ended December 31,			Nine months ended December 31,		
(in thousands)	2016	2015	Change	2016	2015	Change
Consolidated general and administrative expense	$ 1,777	$ 2,627	$ (850)	$ 6,340	$ 8,089	$ (1,749)

Consolidated general and administrative expense decreased $0.9 million and $1.7 million in the three and nine months ended December 31, 2016, respectively, compared to the same periods in the prior fiscal year primarily to lower payroll and headcount related expenses.

Intangible amortization

	Three months ended December 31,			Nine months ended December 31,		
(in thousands)	2016	2015	Change	2016	2015	Change
Consolidated intangible amortization	$ 1,212	$ 1,418	$ (206)	$ 3,613	$ 4,249	$ (636)

The intangible assets consist of product technology, customer relationships, trade names, and backlog derived from acquisitions. The decrease in the three and nine months ended December 31, 2016, compared to the same periods in the prior fiscal year resulted primarily from product and customer related intangibles from the acquisition of HyperEdge and the non-compete from the Kentrox acquisition becoming fully amortized. The three and nine months ended December 31, 2016, also include a $31,000 intangible impairment charge associated with the customer list acquired from the previous ANTONE acquisition for TMA products sold in CNS segment.

Restructuring

In the first quarter of fiscal year 2017, the Company approved a restructuring plan (the 2017 restructuring), including discontinuing development of the ClearLink Distributed Antenna System (DAS), a general reduction of headcount that spans all three segments, and consolidation of facilities in Manchester, NH and Aurora, IL. The Company recognized a restructuring expense of $0.5 million and $3.1 million in the three and nine months ended December 31, 2016, inclusive of non-cash charges of approximately $1.0 million related to losses on leased facilities, $1.3 million of employee termination costs, and $0.7 million of other associated costs. The Company expects to incur further restructuring costs of approximately $0.1 million for the remainder of the 2017 restructuring plan. The planned restructuring is scheduled to be substantially completed by March 31, 2017.

The Company recorded restructuring expense of $17,000 in the nine months ended December 31, 2015, related to severance for terminated employees associated with the CSI acquisition.

Long-lived assets impairment

Due to a significant adverse change in the business climate connected to the ClearLink DAS development project, the Company determined indicators of impairment were present as of June 30, 2016. The Company determined that equipment related to development and manufacturing of this product were fully impaired and recorded an impairment charge of $1.2 million during the nine months ended December 31, 2016. The three and nine months ended December 31, 2016, also include a $31,000 intangible impairment charge associated with the customer list acquired from the previous ANTONE acquisition for TMA products sold in CNS segment which is presented in the Intangible amortization line on the Statement of Operations. There were no long-lived assets impaired during the nine months ended December 31, 2015.

Other income (expense)

	Three months ended December 31,			Nine months ended December 31,		
(in thousands)	2016	2015	Change	2016	2015	Change
Consolidated other income (expense)	$ (15)	$ 85	$ (100)	$ 76	$ 62	$ 14

Other income (expense) contains interest income earned on short-term investments and foreign currency gains and losses. The foreign currency impacts related primarily to the receivables and cash denominated in Australian and Canadian currencies.

Income tax benefit (expense)

The Company recorded $10,000 and $20,000 of income tax expense in the three and nine months ended December 31, 2016, using an effective income tax rate of (0.13)% plus discrete items. The Company recorded $7,000 of income tax expense and $75,000 of income tax benefit in the three and nine months ended December 31, 2015, using an effective rate of 1.00% plus discrete items. The December 31, 2015, effective rate is impacted by the intraperiod allocation as a result of loss from continuing operations and income from discontinued operations, loss in a foreign jurisdiction with no valuation allowance, and states which base tax on gross margin and not pretax income.

Discontinued operations

The fiscal year 2016 income from discontinued operations resulted from the expiration of an indemnity period and release of a contingency reserve related to the sale of ConferencePlus.

Net income (loss)

Net loss was $1.8 million and $15.4 million in the three and nine months ended December 31, 2016, respectively, and $4.8 million and $11.1 million in the three and nine months ended December 31, 2015, respectively. The changes were a result of the cumulative effects of the variances identified above.

Liquidity and Capital Resources

Overview

At December 31, 2016, the Company had $23.8 million in cash and cash equivalents consisting of bank deposits and government money market funds.

The Company believes that the existing sources of liquidity and cash from operations will satisfy cash flow requirements for the foreseeable future.

Future obligations and commitments, which are principally comprised of future minimum lease payments and inventory purchase obligations, were $8.0 million and $11.8 million at December 31, 2016, and March 31, 2016, respectively.

Purchase obligations consist of inventory that arises in the normal course of business operations. Future obligations and commitments as of December 31, 2016, consisted of the following:

	Payments due within						
(in thousands)	1 year	2 years	3 years	4 years	5 years	Thereafter	Total
Purchase obligations [1]	$ 6,072	$ —	$ —	$ —	$ —	$ —	$ 6,072
Future minimum operating lease payments	1,533	280	87	—	—	—	1,900
Future obligations and commitments	$ 7,605	$ 280	$ 87	$ —	$ —	$ —	$ 7,972

(1) A reserve for a net loss on firm purchase commitments of $180,000 and $388,000 is recorded on the balance sheet as of December 31, 2016, and March 31, 2016, respectively.

Cash Flows

The Company's operating activities used cash of $5.0 million in the nine months ended December 31, 2016, which resulted primarily from a $15.4 million net loss, adjusted for non-cash charges of $10.4 million of amortization, depreciation, long-lived asset impairments,restructuring, and stock-based compensation expense. The Company's investing activities provided cash of $10.0 million, which resulted primarily from the net maturities of short-term investments of $10.6 million offset in part by $0.5 million of capital equipment purchases. In the nine months ended December 31, 2016, the Company's financing activities used $0.3 million of cash resulting primarily from payment of contingent consideration.

As of December 31, 2016, the Company had net deferred tax assets of approximately $46.3 million before a valuation allowance of $46.3 million, resulting in a net deferred tax liability of $30,000. Also, as of December 31, 2016, the Company had a $3.0 million tax contingency reserve related to uncertain tax positions which is offset against deferred tax assets. The federal net operating loss carryforward begins to expire in fiscal year 2023. 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, among other factors. The Company weighed positive and negative evidence to assess the need for a valuation allowance against deferred tax assets and whether a tax benefit should be recorded when taxable losses are incurred. The existence of a valuation allowance does not limit the availability of tax assets to reduce taxes payable when taxable income arises. Management periodically evaluates the recoverability of the deferred tax assets and may adjust the valuation allowance against deferred tax assets accordingly.

Off-Balance Sheet Arrangements

The Company has a 50% equity ownership in AccessTel Kentrox Australia PTY LTD (AKA). AKA distributes network management solutions provided by the Company and the other 50% owner to one customer. The Company holds equal voting control with the other owner. All actions of AKA are decided at the board level by majority vote. The Company also has provided an unlimited guarantee for the performance of the other 50% owner in AKA, which primarily provides support and engineering services to the customer. This guarantee was put in place at the request of the AKA customer. The guarantee, which is estimated to have a maximum potential future payment of $0.7 million, will stay in place as long as the contract between AKA and the customer is in place. The Company would have recourse against the other 50% owner in AKA in the event the guarantee is triggered. The Company determined that it could perform on the obligation it guaranteed at a positive rate of return and, therefore, did not assign value to the guarantee.

Critical Accounting Policies

A complete description of the Company's significant accounting policies is discussed in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2016. There have been no material changes in the Company's critical accounting policies from those disclosed in the Annual Report on Form 10-K for the year ended March 31, 2016.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS.

As of December 31, 2016, there were no material changes to the information provided in Item 7A of the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2016.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of the Company's senior management, including the Company's chief executive officer and chief financial officer, the Company conducted an evaluation of the effectiveness of the design and operation of the Company's 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, the Company's chief executive officer and chief financial officer concluded as of the Evaluation Date that the Company's disclosure controls and procedures were effective such that the information relating to the Company, including consolidated subsidiaries, required to be disclosed in the Company's 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 the Company's 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 the Company's internal control over financial reporting that occurred during the quarter ended December 31, 2016, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is involved in various legal proceedings incidental to the Company's business and its previously owned operations. In the ordinary course of business, the Company is routinely audited and subject to inquiries by governmental and regulatory agencies. Although it is not possible to predict with certainty the outcome of these or other unresolved legal actions or the range of possible loss, management believes that the outcome of such proceedings will not have a material adverse effect on the Company's consolidated operations or financial condition.

ITEM 1A. RISK FACTORS

See "Risk Factors" in Part 1 – Item 1A of the Company's Annual Report on Form 10-K for the year ended March 31, 2016, for information about risk factors. There have been no material changes in the Company's risk factors from those disclosed in the Company's Annual Report on Form 10-K for the year ended March 31, 2016, except as follows:

Risks Related to Our Business

We may experience significant delays or other complications in the design, manufacture, launch, and production ramp of new products, which could harm our business, prospects, financial condition, and operating results.

Many of our past sales have resulted from our ability to anticipate changes in technology, industry standards and service provider service offerings, and to develop and introduce new and enhanced products and services. Our continued ability to adapt to such changes will be a significant factor in maintaining or improving our competitive position and our prospects for growth. Additionally, other companies may succeed in developing and marketing products that are more effective and/or less costly than any product we may develop, or that are commercially accepted before any of our products. There can be no assurance that we will successfully introduce new products on a timely basis or achieve sales of new products in the future, particularly as customer demand shifts to new technology or the next generation of products. In addition, there can be no assurance that we will have the financial and product design resources necessary to continue to successfully develop new products or to otherwise successfully respond to changing technology standards and service provider service offerings. If we fail to deploy new products on a timely basis, our product sales will decrease and our competitive position, financial condition and results of operations would be materially and adversely affected. We have experienced development delays in the past and may experience significant delays or other complications in bringing to market and ramping production of new products. Recently, we suspended future development of our ClearLink DAS product due to competitive products to ClearLink DAS in the market that have already launched and considerable gross margin depression on the product. The decision to suspend ClearLink DAS or other complications in the development, manufacture, launch, and production ramp of any other future product, could materially damage our business, prospects, financial condition, and operating results.

Risks Related to our Common Stock

Our Class A Common Stock could be delisted from the NASDAQ Capital Market.

NASDAQ has established certain standards for the continued listing of a security on the NASDAQ Capital Market. The standards for continued listing include, among other things, that the minimum bid price for the listed securities be at least $1.00 per share. Under these rules, a security is considered deficient if it fails to achieve at least a $1.00 closing bid price for a period of 30 consecutive business days. On July 1, 2016, we received a notification (the "Notice") from the Listing Qualifications Department of The NASDAQ Stock Market that the bid price for the Company's Class A Common Stock has closed below the minimum $1.00 per share for 30 consecutive trading days in conflict with the NASDAQ rules for continued listing. At the time, NASDAQ gave the Company 180 calendar days, or until December 28, 2016, to regain compliance.

On December 14, 2016, the Company applied to transfer the listing of its stock from the NASDAQ Global Select Market to the NASDAQ Capital Market. The NASDAQ Capital Market is a continuous trading market that operates in substantially the same manner as the NASDAQ Global Select Market and listed companies must meet certain financial requirements and comply with NASDAQ's corporate governance requirements.

On December 23, 2016, NASDAQ approved the Company's transfer application. This transfer was effective at the opening of business on Wednesday, December 28, 2016. The Company's common stock has continued to trade under the symbol "WSTL." On December 29, 2016, NASDAQ approved an additional 180 calendar day compliance period to regain compliance with the minimum bid requirement. The Company may regain compliance with the Rule if at any time before June 26, 2017, the bid price of the Company's common stock closes at $1.00 per share or above for a minimum of 10 consecutive business days.

If the closing bid price of our Class A Common Stock continues to fail to meet NASDAQ's minimum closing bid price requirement, or if we otherwise fail to meet all other applicable NASDAQ requirements, NASDAQ may make a determination to delist our Class A common stock. Any such delisting could adversely affect the market liquidity of our Class A Common Stock and the market price of our Class A Common Stock could decrease. A delisting could adversely affect our ability to obtain financing for our operations and/or result in a loss of confidence by investors, customers, suppliers or employees.

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

Issuer Purchases of Equity Securities

The following table provides information about the Company’s repurchase activity for its Class A Common Stock during the three months ended December 31, 2016.

Period	Total Number of Shares Purchased (a)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs (b)	Maximum Number (or Approximate Dollar Value) that May Yet Be Purchased Under the Programs (b)
October 1 - 31, 2016	9,847	$ 0.4877	—	$ 112,741
November 1 - 30, 2016	—	—	—	112,741
December 1 - 31, 2016	—	—	—	112,741
Total	9,847	$ 0.4877	—	$ 112,741

(a) In the three months ended December 31, 2016, the Company repurchased 9,847 shares from employees that were surrendered to satisfy the minimum statutory tax withholding obligations on the vesting of restricted stock, restricted stock units and performance-based restricted stock units. These repurchases were not included in the authorized share repurchase program and had a weighted-average purchase price of $0.49 per share.

(b) In August 2011, the Board of Directors authorized a share repurchase program whereby the Company may repurchase up to an additional aggregate of $20.0 million of its outstanding Class A Common Stock. There was approximately $0.1 million remaining under this program as of December 31, 2016.

Items 3, 4 and 5 are not applicable and have been omitted.

ITEM 6. EXHIBITS

Exhibit Number	Description
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 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.
Exhibit 101	The following financial information from the Quarterly Report on Form 10-Q for the period ended December 31, 2016, formatted in XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets; (ii) the Condensed Consolidated Statements of Operations; (iii) the Condensed Consolidated Statements of Cash Flows; and (iv) the Notes to the Condensed Consolidated Financial Statements.

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 10, 2017	By:	/s/ Kirk R. Brannock
		Kirk R. Brannock Chief Executive Officer
	By:	/s/ Thomas P. Minichiello
		Thomas P. Minichiello Chief Financial Officer

WESTELL TECHNOLOGIES, INC.
EXHIBIT INDEX

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Exhibit 31.1

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

I, Kirk R. Brannock, certify that:

(1) I have reviewed this quarterly report on Form 10-Q for the period ended December 31, 2016 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 10, 2017

/s/ Kirk R. Brannock

Kirk R. Brannock
Chief Executive
Officer

Exhibit 31.2

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

I, Thomas P. Minichiello, certify that:

(1) I have reviewed this quarterly report on Form 10-Q for the period ended December 31, 2016 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 10, 2017

/s/ Thomas P. Minichiello

Thomas P. Minichiello
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 ended December 31, 2016 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/ Kirk R. Brannock

Kirk R. Brannock
Chief Executive Officer

February 10, 2017

/s/ Thomas P. Minichiello

Thomas P. Minichiello
Chief Financial Officer

February 10, 2017

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.