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

FORM 10-Q

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

For the quarterly period ended September 30, 2010

OR

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

For the transition period from ______ to ______

Commission File 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 October 13, 2010:
Class A Common Stock, $0.01 Par Value – 52,765,965 shares
Class B Common Stock, $0.01 Par Value – 14,693,619 shares

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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, need for financing, a further economic weakness in the United States ("U.S.") economy and telecommunications market, the impact of competitive products or technologies, competitive pricing pressures, 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 effect of Westell's accounting policies, the need for additional capital, the effect of economic conditions and trade, legal social and economic risks (such as import, licensing and trade restrictions), retention of key personnel and other risks more fully described in our Form 10-K for the fiscal year ended March 31, 2010, under Item 1A - Risk Factors and other filings with the Securities and Exchange Commission. 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 our trademarks: Conference Plus, Inc., ConferencePlus®, OSPlant Systems®, ProLine®, UltraLine®, VersaLink®, 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)

	September 30, 2010 (Unaudited)	March 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	$ 70,075	$ 61,315
Accounts receivable (net of allowances of $229 and $237, respectively)	24,789	17,683
Inventories	17,690	21,258
Prepaid expenses and other current assets	3,899	4,276
Total current assets	116,453	104,532
Property and equipment:		
Machinery and equipment	15,487	15,681
Office, computer and research equipment	12,251	12,855
Leasehold improvements	9,317	9,313
	37,055	37,849
Less accumulated depreciation and amortization	(33,177)	(33,184)
Property and equipment, net	3,878	4,665
Goodwill	2,151	2,162
Intangibles, net	3,713	4,063
Deferred income taxes and other assets	6,137	6,412
Total assets	$ 132,332	$ 121,834
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 17,359	$ 15,195
Accrued expenses	4,862	4,781
Accrued compensation	3,322	4,422
Deferred revenue	1,160	860
Total current liabilities	26,703	25,258
Deferred revenue long-term	137	174
Other long-term liabilities	7,847	8,671
Total liabilities	34,687	34,103
Commitments and contingencies (Note 12)		
Stockholders' equity:		
Class A common stock, par $0.01, Authorized – 109,000,000 shares Issued and outstanding – 52,765,965 shares at September 30, 2010 and 52,762,326 shares at March 31, 2010	528	528
Class B common stock, par $0.01, Authorized – 25,000,000 shares Issued and outstanding – 14,693,619 shares at September 30, 2010 and March 31, 2010	147	147
Preferred stock, par $0.01, Authorized – 1,000,000 shares Issued and outstanding – none	—	—
Additional paid-in capital	399,641	398,756
Treasury stock at cost – 4,629,373 shares at September 30, 2010 and 4,273,309 shares at March 31, 2010	(3,854)	(3,302)
Cumulative translation adjustment	607	645
Accumulated deficit	(299,424)	(309,043)
Total stockholders' equity	97,645	87,731
Total liabilities and stockholders' equity	$ 132,332	$ 121,834

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

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

	Three months ended September 30, 2010	Three months ended September 30, 2009	Six months ended September 30, 2010	Six months ended September 30, 2009
Equipment revenue	$40,715	$37,051	$71,461	$ 79,451
Services revenue	10,353	10,302	20,865	21,415
Total revenue	51,068	47,353	92,326	100,866
Cost of equipment revenue	29,380	27,381	49,625	60,023
Cost of services	5,210	5,400	10,608	11,064
Total cost of equipment revenue and services	34,590	32,781	60,233	71,087
Gross profit	16,478	14,572	32,093	29,779
Operating expenses:				
Sales and marketing	4,671	4,458	9,159	9,396
Research and development	3,464	3,390	7,002	7,077
General and administrative	3,249	3,580	6,598	7,352
Restructuring	—	—	—	609
Intangible assets amortization	163	160	326	317
Total operating expenses	11,547	11,588	23,085	24,751
Operating income	4,931	2,984	9,008	5,028
Other income (expense), net	(28)	(20)	25	71
Interest (expense)	(2)	(2)	(3)	(4)
Income before income taxes	4,901	2,962	9,030	5,095
Income tax (expense) benefit	(138)	(75)	335	(230)
Net income	$ 4,763	$ 2,887	$ 9,365	$ 4,865
Net income per common share:				
Basic net income from continuing operations	$ 0.07	$ 0.04	$ 0.14	$ 0.07
Effect of dilutive securities on net income per common share	0.00	0.00	0.00	0.00
Diluted net income per common share	$ 0.07	$ 0.04	$ 0.14	$ 0.07
Weighted-average number of common shares outstanding:				
Basic	67,202	68,374	67,285	68,365
Effect of dilutive securities: restricted stock and stock options[1]	1,285	695	1,036	493
Diluted	68,487	69,069	68,321	68,858

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

[1] The Company had 4.4 million and 6.1 million shares represented by options for the three months and 4.9 million and 6.4 million shares represented by options for the six months ended September 30, 2010 and 2009, respectively, which were not included in the computation of average diluted shares outstanding because they were anti-dilutive.

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

	Six months ended September 30, 2010	Six months ended September 30, 2009
Cash flows from operating activities:		
Net income	$ 9,365	$ 4,865
Reconciliation of net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,427	1,967
(Gain) loss on sale of fixed assets	—	17
Exchange rate (gain) loss	(8)	(192)
Restructuring	—	609
Stock based compensation	580	287
Changes in operating assets and liabilities:		
Accounts receivable	(7,100)	2,329
Inventory	3,551	2,650
Prepaid expenses and other current assets	376	2,515
Other assets	48	650
Deferred revenue	263	(1,698)
Accounts payable and accrued expenses	1,946	(4,732)
Accrued compensation	(1,098)	(796)
Net cash provided by (used in) operating activities	9,350	8,471
Cash flows from investing activities:		
Purchases of property and equipment	(359)	(769)
Net cash provided by (used in) investing activities	(359)	(769)
Cash flows from financing activities:		
Borrowing (repayment) of long-term debt and leases payable	—	(29)
Proceeds from stock purchase and option plans	314	—
Purchases of Treasury Stock	(555)	—
Net cash provided by (used in) financing activities	(241)	(29)
Effect of exchange rate changes on cash	10	205
Net increase in cash and cash equivalents	8,760	7,878
Cash and cash equivalents, beginning of period	61,315	46,058
Cash and cash equivalents, end of period	$ 70,075	$ 53,936

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

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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. Its wholly owned subsidiary, Conference Plus, Inc. (“ConferencePlus” or “CP”) provides audio, web and video conferencing services to various customers. Conference Plus Global Services, Ltd (“CGPS”) is a wholly owned subsidiary of ConferencePlus that provides services similar to ConferencePlus services. Noran Tel, Inc., a manufacturer of transmission, power distribution and remote monitoring products, is a wholly owned subsidiary of Westell, Inc.

Basis of Presentation and Reporting

The accompanying Condensed Consolidated Financial Statements include the accounts of the Company and its wholly owned subsidiaries. In addition, during fiscal year 2010, Contineo Systems, Inc. (“Contineo”) a variable interest entity (“VIE”) (See Note 10) was also included in the Condensed Consolidated Financial Statements. Contineo was deconsolidated effective April 1, 2010 as a result of the adoption of ASC 810 (see new accounting standards adopted below). The Condensed Consolidated Financial Statements have been prepared using accounting principles generally accepted in the United States (“GAAP”) for interim financial reporting, and 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, 2010. All intercompany accounts and transactions have been eliminated in consolidation. 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 the disclosure of contingent assets and liabilities, at the date of the financial statements, and that affect revenue and expenses during the period reported. Estimates are used when accounting for the allowance for uncollectible accounts receivable, net realizable value of inventory, product warranty accrued, relative selling prices, depreciation, income taxes, and contingencies, among other things. Actual results could differ from those estimates.

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 and cash flows at September 30, 2010 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 the fiscal year 2011.

New Accounting Standards Adopted

In February 2010, the FASB issued Accounting Standards Update (ASU) 2010-10*, Consolidations (Topic 810): Amendments for Certain Investment Funds* and in December 2009, the FASB issued ASU 2009-17*, Consolidations (Topic 810): Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities*. These ASU’s amend the VIE guidance of ASC 810 (see effective date below).

Effective April 1, 2010, the Company adopted the new VIE guidance of ASC 810. This guidance amends FIN 46(R), as codified in ASC 810, to require the Company to perform an analysis of existing investments to determine whether variable interest or interests give the Company a controlling financial interest in a VIE. This analysis identifies the primary beneficiary of a VIE as the enterprise that has both the power to direct the activities of significant impact on a VIE and the obligation to absorb losses or receive benefits from the VIE that could potentially be significant to the VIE. It also amends ASC 810 to require ongoing reassessments of whether an enterprise is the primary beneficiary of a VIE. As a result of adoption, the Company is no longer considered the primary beneficiary of Contineo, a VIE for which the Company was considered the primary beneficiary and which required the financial performance of Contineo to be consolidated in the Company’s financial statements in fiscal years 2010, 2009 and 2008. Because the Company is no longer considered the primary beneficiary, the Company is no longer required to consolidate Contineo in its financial statements effective April 1, 2010. As a result of the adoption of the new VIE guidance in ASC 810, the Company recorded a cumulative-effect adjustment to increase retained earnings by $0.3 million. This adjustment represents the difference between the cumulative net losses of $2.8 million previously recorded through the consolidation of Contineo and its actual $2.5 million investment. The Company’s equity value of the Contineo investment recorded on the Company’s books as of September 30, 2010 is $0.

Note 2. ***Revolving Credit Agreement***

The Company entered into a revolving credit agreement with The Private Bank and Trust Company as of March 5, 2009 (the "Credit Agreement"). Effective March 5, 2010, the Company entered into a first amendment (the "Amendment") to its Credit Agreement to extend the maturity date to March 31, 2011 and amend certain other provisions. The Credit Agreement is an asset-based revolving credit facility in an amount up to $12.0 million based on 80% of eligible accounts receivable plus the lesser of 30% of eligible inventory or $3.0 million. The obligations of the Company under the Credit Agreement are secured by a guaranty from certain direct and indirect domestic subsidiaries of the Company, and by substantially all of the assets of the Company. As of September 30, 2010, the Company had $12.0 million available on the credit facility with no borrowings.

Any revolving loans under the Credit Agreement bear interest at the London Interbank Offered Rate ("LIBOR") plus a spread of 2.5%, or an alternative base rate plus a margin of 0.25%. The alternative base rate is the greater of prime rate or the Federal Funds rate plus 0.25% (the "Base Rate"). The Company is also required to pay non-use fees of 0.35% per annum on the unused portion of the revolving loans. These fees are waived if the Company maintains with the lender an average monthly demand deposit account balance of $5.0 million and an average monthly investment balance of $15.0 million.

The Credit Agreement contains financial covenants that include a minimum EBITDA, a minimum tangible net worth and a limitation on capital expenditures for any fiscal year. The Company was in compliance with these covenants on September 30, 2010.

Note 3. ***Restructuring Charge***

In the first quarter of fiscal year 2010, the Company initiated a cost reduction action that resulted in the termination of approximately 50 employees across all segments. The total cost of this restructuring action was $609,000, of which $414,000, $46,000 and $149,000 was recorded in the CNS, OSP and ConferencePlus segments, respectively. As of March 31, 2010, all of these costs have been paid.

Note 4. ***Interim Segment Information***

The Company's reportable segments are separately managed business units that offer different products and services. They consist of the following:

CNS: The Company's Customer Networking Solutions ("CNS") family of broadband products enables high-speed routing and networking of voice, data, video, and other advanced services. The products allow service providers to deliver services, content, and applications over existing copper, fiber, coax, and wireless infrastructures. Westell CNS products are typically installed in consumer residences or small businesses as a key component of broadband service packages.

OSP: The Company's Outside Plant Systems ("OSPlant Systems" or "OSP") product family consists of next-generation outdoor cabinets, enclosures, power distribution products, edge connectors (fiber, Ethernet and coax), remote monitoring devices, and DS1 and DS3 transmission plugs. These solutions are optimized for cellular backhaul, service delivery to business enterprises and smart grid applications. The OSP team also provides a value-added customized systems integrations ("CSI") service, offering its customers a single source for complete turnkey solutions, reducing time-to-market and expenses incurred through third-party contractors and eliminating the need to design, assemble and test on the job site. Target customers include wireline service providers, wireless service providers, multi-service operators ("MSOs"), utility providers and original equipment manufacturers ("OEMs") worldwide. The power distribution and remote monitoring products are designed and provided through the Company's Noran Tel subsidiary located in Regina, Saskatchewan, Canada.

ConferencePlus: The Company's subsidiary Conference Plus, Inc. provides audio, web and video conferencing services. Businesses and individuals use these services to hold audio, web and video conferences with multiple participants. ConferencePlus sells its services directly to customers, including Fortune 1000 companies, and also serves customers indirectly through its private-label reseller program.

Performance of these segments is primarily evaluated utilizing revenue and segment operating income (loss). The accounting policies of the segments are the same as those for Westell Technologies, Inc. described in our Form 10-K for the fiscal year ended March 31, 2010 under the summary of significant accounting policies. The Company defines segment operating income (loss) as gross profit less direct and indirect expenses, including direct expenses covering research and development, sales and marketing, and general and administrative ("G&A"). Segment operating income (loss) excludes certain unallocated G&A.

Segment information for the three and six months ended September 30, 2010 and 2009 is set forth below:

	Three Months Ended September 30, 2010				
(in thousands)	CNS	OSP	CP	Unallocated	Total
Revenue	$24,598	$16,117	$10,353	$ —	$51,068
Gross profit	4,009	7,326	5,143	—	16,478
Gross margin	16.3%	45.5%	49.7%	—	32.3%
Operating expenses:					
Sales & marketing	1,267	1,509	1,895	—	4,671
Research & development	1,902	921	641	—	3,464
General & administrative	688	455	1,438	668	3,249
Intangible amortization	1	134	28	—	163
Operating expenses	3,858	3,019	4,002	668	11,547
Operating income (loss)	151	4,307	1,141	(668)	4,931
Other income (expense), net	—	—	—	(28)	(28)
Interest (expense)	—	—	—	(2)	(2)
Income taxes	—	—	—	(138)	(138)
Net income (loss)	$ 151	$ 4,307	$ 1,141	$ (836)	$ 4,763

	Three Months Ended September 30, 2009				
(in thousands)	CNS	OSP	CP	Unallocated	Total
Revenue	$24,002	$13,049	$10,302	$ —	$47,353
Gross profit	4,189	5,481	4,902	—	14,572
Gross margin	17.5%	42.0%	47.6%	—	30.8%
Operating expenses:					
Sales & marketing	1,357	1,255	1,846	—	4,458
Research & development	2,238	598	554	—	3,390
General & administrative	842	533	1,453	752	3,580
Intangible amortization	—	132	28	—	160
Operating expenses	4,437	2,518	3,881	752	11,588
Operating income (loss)	(248)	2,963	1,021	(752)	2,984
Other income (expense), net	—	—	—	(20)	(20)
Interest (expense)	—	—	—	(2)	(2)
Income taxes	—	—	—	(75)	(75)
Net income (loss)	$ (248)	$ 2,963	$ 1,021	$ (849)	$ 2,887

(in thousands)	Six Months Ended September 30, 2010 CNS	OSP	CP	Unallocated	Total
Revenue	$39,620	$31,841	$20,865	$ —	$92,326
Gross profit	7,599	14,237	10,257	—	32,093
Gross margin	19.2%	44.7%	49.2%	—	34.8%
Operating expenses:					
Sales & marketing	2,579	2,950	3,630	—	9,159
Research & development	3,876	1,902	1,224	—	7,002
General & administrative	1,428	1,093	2,797	1,280	6,598
Intangible amortization	2	268	56	—	326
Operating expenses	7,885	6,213	7,707	1,280	23,085
Operating income (loss)	(286)	8,024	2,550	(1,280)	9,008
Other income (expense), net	—	—	—	25	25
Interest (expense)	—	—	—	(3)	(3)
Income taxes	—	—	—	335	335
Net income (loss)	$ (286)	$ 8,024	$ 2,550	$ (923)	$ 9,365

(in thousands)	Six Months Ended September 30, 2009 CNS	OSP	CP	Unallocated	Total
Revenue	$52,626	$26,825	$21,415	$ —	$100,866
Gross profit	7,953	11,475	10,351	—	29,779
Gross margin	15.1%	42.8%	48.3%	—	29.5%
Operating expenses:					
Sales & marketing	2,909	2,531	3,956	—	9,396
Research & development	4,766	1,188	1,123	—	7,077
General & administrative	1,661	1,068	3,110	1,513	7,352
Intangible amortization	—	261	56	—	317
Restructuring	414	46	149	—	609
Operating expenses	9,750	5,094	8,394	1,513	24,751
Operating income (loss)	(1,797)	6,381	1,957	(1,513)	5,028
Other income (expense), net	—	—	—	71	71
Interest (expense)	—	—	—	(4)	(4)
Income taxes	—	—	—	(230)	(230)
Net income (loss)	$ (1,797)	$ 6,381	$ 1,957	$ (1,676)	$ 4,865

Depreciation and amortization (in thousands)	Three months ended September 30, 2010	2009	Six months ended September 30, 2010	2009
CNS depreciation and amortization	$ 99	$342	$ 298	$ 700
OSP depreciation and amortization	193	266	427	532
CP depreciation and amortization	353	381	702	735
Total depreciation and amortization	$645	$989	$1,427	$1,967

The CNS and OSP segments use many of the same assets. For internal reporting purposes, the Company does not allocate assets between the CNS and OSP segments and therefore no asset or capital expenditure information by each of these segments is available. Combined CNS and OSP segment information is provided below.

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Assets, excluding cash and cash equivalents (in thousands)	September 30, 2010	March 31, 2010
Combined CNS and OSP segments assets	$ 52,172	$50,437
ConferencePlus services assets	10,085	10,082
Total assets	$ 62,257	$60,519

Note 5. *Comprehensive Income*

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

	Three months ended September 30,		Six months ended September 30,	
(in thousands)	2010	2009	2010	2009
Net income	$4,763	$2,887	$9,365	$4,865
Other comprehensive income Foreign currency translation adjustment	306	373	(38)	721
Comprehensive income	$5,069	$3,260	$9,327	$5,586

Note 6. *Inventories*

The components of inventories are as follows:

(in thousands)	September 30, 2010	March 31, 2010
Raw material	$ 8,703	$ 8,106
Finished goods	10,796	14,843
Reserve for excess and obsolete inventory and net realizable value	(1,809)	(1,691)
Total inventories	$ 17,690	$21,258

Note 7. *Stock-Based Compensation*

Stock-Based Compensation Expense

The following table is a summary of total stock-based compensation resulting from stock options, restricted stock and restricted stock units during the three and six months ended September 30, 2010 and 2009:

	Three months ended September 30,		Six months ended September 30,	
(in thousands)	2010	2009	2010	2009
Stock-based compensation expense	$312	$ 98	$580	$287
Income tax expense	—	—	—	—
Total stock-based compensation expense after taxes	$312	$ 98	$580	$287

In April 2010, the Compensation Committee granted 70,000 restricted stock awards ("RSAs") to members of the board of directors and a target of 1.2 million restricted stock units ("RSUs") to executives. The RSAs and half of the RSUs vest in equal installments over the first four anniversary dates from April 1, 2010. The other half of the RSUs are performance-based units under which 0 to 868,000 shares of Class A Common Stock could ultimately be earned, depending on actual fiscal 2011 results measured against targeted results. The Class A Common Stock ultimately earned from the performance-based units are also subject to further time-based vesting restrictions with 25% of the actual shares earned and vesting upon determination of the fiscal year 2011 financial performance with the remaining 75% vesting in equal installments annually beginning April 1, 2012. In accordance with ASC 718, these awards are treated as equity awards.

Note 8. ***Warranty Reserve***

Most of the Company's products carry a limited warranty ranging from one to three years for CNS products and up to seven years for OSP products. The specific terms and conditions of those warranties vary depending upon the customer and the product sold. Factors that enter into the estimate of the Company's warranty reserve include: the number of units shipped historically, 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 were $543,000 and $433,000 as of September 30, 2010 and March 31, 2010, respectively, and are included on the Condensed Consolidated Balance Sheets in accrued expenses. The long-term portions of the warranty reserve were $651,000 and $830,000 as of September 30, 2010 and March 31, 2010, respectively, and are included on the Condensed Consolidated Balance Sheets in other long-term liabilities. In fiscal year 2011, the Company revised its warranty estimate to reflect current repair verses replacement rates for modems returned under warranty. As a result, the warranty reserve was reduced by $71,000 to adjust for this change.

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

	Three months ended September 30,		Six months ended September 30,	
(in thousands)	2010	2009	2010	2009
Total product warranty reserve at the beginning of the period	$1,300	$1,041	$1,263	$1,072
Warranty expense	(40)	245	93	339
Utilization	(66)	(200)	(162)	(325)
Total product warranty reserve at the end of the period	$1,194	$1,086	$1,194	$1,086

Note 9. ***Note Payable Guarantee***

In fiscal year 2005, the Company sold its Data Station Termination product lines and specified fixed assets to Enginuity Communications Corporation ("Enginuity"). The Company provided an unconditional guarantee relating to a 10-year term note payable by Enginuity to the third-party lender that financed the transaction (the "Enginuity Note"). The Enginuity Note had an unpaid balance of $764,000 and $854,000 as of September 30, 2010 and March 31, 2010, respectively. Certain owners of Enginuity personally guaranteed the note and pledged assets as collateral. These personal guarantees will stay in place until the note is paid in full, as will the Company's guarantee. Under the Company's guarantee, the Company must pay all amounts due under the note payable upon demand from the lender; however, the Company would have recourse against the assets of Enginuity, and against the personal guarantees and pledged assets.

In 2005, the Company assessed its obligation under this debt guarantee pursuant to ASC topic 460, *Guarantees,* and recorded a $300,000 liability for the fair value of the guarantee. The Company evaluates the fair value of the liability quarterly based on Enginuity's operating performance and current status of the guaranteed debt obligation. The balance of the liability was $100,000 as of September 30, 2010 and March 31, 2010. The liability is classified as a current liability in the accrued expenses line on the Condensed Consolidated Balance Sheets.

The Company evaluated the new VIE guidance of ASC 810 and concluded that Enginuity is a VIE as a result of the debt guarantee. However, the Company is not considered the primary beneficiary of the VIE and consolidation therefore is not required.

Note 10. ***Acquisitions***

On October 2, 2007, the Company paid $2.5 million in cash to acquire a 40% equity ownership in Contineo, a software development company based in Plano, Texas, to advance the Company's research and development efforts. Contineo specializes in identity-management solutions which can be applied to secure broadband applications across a network. The Company received an exclusive license for an identified set of customers in North America to certain Contineo software in connection with the investment. The Company's investment is in the form of preferred stock which entitles the Company to 8% cumulative non-compounding dividends and a liquidation preference over common stock. The Company has the right, but not the obligation, to participate in future equity funding. The preferred stock converts to common stock in the event that certain agreed-upon objectives are met and additional funding of at least $2.5 million is provided, or upon a public offering exceeding $30.0 million.

At the time of investment, the Company evaluated Contineo using FIN No. 46(R), and concluded that Contineo was a VIE and the Company was considered the primary beneficiary of the VIE, as the Company was the sole source of start-up equity funding. Contineo's financial statements were fully consolidated and include Contineo net losses of $151,000 and $295,000 during the three and six months ended September 30, 2009. The Company recorded $2.8 million of cumulative losses through March 31, 2010 relating to Contineo. The creditors of Contineo have no recourse to the general credit of the Company.

The Company adopted ASC 810 on April 1, 2010. Under this pronouncement, the Company is no longer considered the primary beneficiary of Contineo and is therefore no longer required to include Contineo in its consolidated results as of April 1, 2010. As a result of the adoption of the new VIE guidance in ASC 810, the Company recorded a cumulative-effect adjustment to increase retained earnings by $0.3 million. This adjustment represents the difference between the cumulative net losses of $2.8 million previously recorded through the consolidation of Contineo and its actual $2.5 million investment. The Company's equity value of the Contineo investment recorded on the Company's books as of September 30, 2010 is $0.

Note 11. ***Income Taxes***

The Company uses an estimated annual effective tax rate based on expected annual income to determine the quarterly provision for income taxes. The impact of discrete items is recorded in the quarter in which they occur. In assessing the realizability of the deferred tax assets, the Company considered whether it is more likely than not that some portion or all of the deferred tax assets will not be realized through the generation of future taxable income. As a result of this assessment, the Company continued to provide a full valuation allowance against deferred tax assets. The Company will continue to reassess realizability going forward.

The Company recorded an expense of $138,000 for the three months ended September 30, 2010, but recorded a net tax benefit of $335,000 in the six month period ended September 30, 2010. The net benefit included a $345,000 benefit related to the reversal of a reserve against an uncertain tax position because the statute of limitations related to the position expired during the first quarter. The net benefit also included a $178,000 benefit related to the Company's ability to fully offset alternative minimum taxable income with alternative minimum tax net operating loss carryforwards that were generated in prior years. The net benefit was offset, in part, by $188,000 of tax expense that was recorded using an effective tax rate of 2.1% based on projected income for the fiscal year. Tax expense resulted from foreign and state tax. The Company was able to utilize its net operating loss carryforwards to offset federal taxable income and federal alternative minimum taxable income generated for the three and six months ended September 30, 2010.

For the three and six months ended September 30, 2009, the Company recorded tax expense of $75,000 and $230,000, respectively, using a cumulative effective rate of 4.5%.

Note 12. ***Commitments and Contingencies***

Future obligations and commitments increased $12.5 million in the six-month period ended September 30, 2010 to $86.2 million, up from $73.7 million at March 31, 2010 due primarily to an increase in inventory purchase obligations in the CNS equipment segment.

As a result of a vendor dispute in the ConferencePlus segment, a $700,000 loss contingency reserve was recorded in cost of services in March 2009. The Company applies ASC 450 in assessing the need for a reserve and concluded that this loss was both probable and estimable. The $700,000 contingency reserve is classified in accrued expenses as a current liability on the Condensed Consolidated Balance Sheets as of March 31, 2010. In April 2010, a settlement agreement was reached with the vendor and the Company paid the entire $700,000 as part of the settlement in the first quarter of fiscal year 2011.

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Note 13. ***Fair Value Measurements***

Fair value is defined by 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.

Substantially all of the Company’s financial assets that are measured at fair value on a recurring basis are measured using Level 1 inputs with the exception of the note payable guarantee described in Note 9 which is measured using Level 3 inputs.

The following table presents financial assets and liabilities measured at fair value on a recurring basis and their related valuation inputs as of September 30, 2010:

(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)
Assets:				
Money market funds	$ 24,951	$ 24,951	—	—
Liabilities:				
Guarantee	$ 100	—	—	$ 100

The following table presents financial assets and liabilities measured at fair value on a recurring basis and their related valuation inputs as of March 31, 2010:

(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)
Assets:				
Money markets funds	$ 19,933	$ 19,933	—	—
Liabilities:				
Guarantee	$ 100	—	—	$ 100

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

Note 14. ***Share Repurchase Program***

In February 2010, the Board of Directors authorized a share repurchase program whereby the Company may repurchase up to an aggregate of $10.0 million of its outstanding Class A Common Stock. During the three and six months ended September 30, 2010, approximately 110,000 shares and 356,000 shares were repurchased under this program with a weighted-average per share purchase price of $1.69 and $1.56, respectively. There was approximately $9.4 million remaining for additional share repurchases under this program as of September 30, 2010. There were no share repurchases during the six months ended September 30, 2009.

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.

The Company commenced operations in 1980 as a provider of telecommunications network transmission products that enable advanced telecommunications services over copper telephone wires. Until fiscal 1994, the Company derived substantially all of its revenues from its Outside Plant Systems ("OSPlant Systems" or "OSP") products, particularly the sale of Network Interface Unit ("NIU") products and related products. The Company introduced its first Customer Networking Solutions ("CNS") products in fiscal 1993. The Company has also provided audio teleconferencing services since fiscal 1989 through its wholly owned Conference Plus, Inc. subsidiary. The Company realizes the majority of its revenues from the North American market.

In the CNS segment, the Company designs, distributes, markets and services a broad range of carrier-class broadband products. The CNS family of broadband products enables high-speed transport and networking of voice, data, video, and other advanced services. The products allow service providers to deliver services, content, and applications over existing copper, fiber, coax, and wireless infrastructures. Westell CNS products are typically installed in consumer residences or small businesses as a key component of a broadband service package.

CNS Products. The Company's CNS products enable residential customers, small businesses, and small office/home office ("SOHO") users to access and share broadband services on networked computers, telephones, cell phones, televisions, media players, and other networked devices. A broad offering of networking products and technologies allows the Company to address several segments of the service provider market, distinguished by the methods used to deliver their services: wireline operators (copper and fiber), mobile network operators ("wireless"), cable multi-service operators (hybrid fiber-coax), and integrated carriers that operate as combinations of the other three operators.

In the OSP segment, the Company designs, distributes markets and services a broad range of carrier-class digital transmission, remote monitoring, power distribution and demarcation products. The Company's OSP products offer next-generation outdoor cabinets, enclosures, power distribution panels, flexible edge connectors (fiber, Ethernet and coax), remote monitoring solutions, and DS1 and DS3 transmission plugs. These solutions are optimized for cellular backhaul, service delivery to business enterprise and smart grid applications. The OSP team also provides a value-added Customized Systems Integration ("CSI") service, offering its customers a single source for complete turnkey solutions, reducing the time-to-market and expenses incurred through third-party contractors and eliminating the need to design, assemble and test on the job site. Our target customers include wireline service providers, wireless service providers, multiple systems operators ("MSOs"), integrated carrier, utility providers and original equipment manufacturers ("OEMs") worldwide (all known as "service providers"). The power distribution and remote monitoring products are designed and provided through the Company's Noran Tel subsidiary located in Regina, Saskatchewan, Canada, which was acquired on January 2, 2007.

OSP Products. The Company's OSP products provide service providers with products to transport, maintain and improve the reliability of services delivered over copper and fiber lines in the local access network.

Conference Plus, Inc. ("ConferencePlus" or "CP"), founded in 1988, is a full-service audio, web and video conferencing company that manages and hosts specific software and applications supporting its conferencing and meeting services. ConferencePlus is a 100% owned subsidiary of the Company and manages its conferencing and meeting services through its main operations center in Schaumburg, Illinois, and a facility in Dublin, Ireland.

ConferencePlus allows multiple individuals, organizations and/or businesses to conduct conference calls using a combination of audio, web and video collaboration and presentations. ConferencePlus offers conference call services that can include a blend of audio, graphics, spreadsheets and other documents that can be carried over and archived on the Internet to enhance the traditional audio conference call. By enabling the sharing of this blend of information, ConferencePlus can help organizations increase productivity and save money by reducing travel time, and costs, and making it easier for people in remote locations to work together. Conferencing and meeting service technologies also allow organizations and individuals to collect and disseminate information faster, more accurately and without the associated costs of face-to-face meetings. These technologies also help companies communicate and collaborate effectively in the face of health and safety threats and other impediments to travel and formal gatherings.

The prices for the products within each market group served by the Company vary based upon volume, customer specifications and other criteria, and are subject to change due to competition among telecommunications manufacturers and service providers. Increasing competition, in terms of the number of entrants and their size, and increasing scale of the Company's customers because of past mergers, continues to exert downward pressure on prices for the Company's products.

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

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

The Company has expanded its product offerings in the CNS segment from basic high speed broadband to more sophisticated applications such as VoIP, in-premises networking, wireless/wireline convergence, IP Multimedia Subsystem ("IMS") and FMC, and video / IPTV services. This will require the Company to continue to invest in research and development and sales and marketing, which could adversely affect short-term results of operations. In view of the Company's current reliance on the telecommunications market for revenues and the unpredictability of orders and pricing pressures, the Company believes that period-to-period comparisons of its financial results are not necessarily meaningful and should not be relied upon as an indication of future performance.

In the CNS segment, the Company is focusing on the evolving broadband demand, which includes increased bandwidth, richer application sets and converged capabilities. The Company has introduced products for both the existing local telephone and fiber network including the UltraLine, ProLine, VersaLink, and UltraLine Series3 which are targeted at the home networking and small business markets. The Company expects to de-emphasize focus on the UltraLine Series3 product to concentrate on more profitable initiatives. The Company is currently focusing development efforts on HomeCloud software that will reside on a new class of intelligent home networking product and provide sophisticated file management services and other networked applications for devices networked on a cloud-like basis within the home. The Company is also focused on reducing the cost of these products, and on adding new features and functionality to create additional value in these products.

The OSP segment has introduced products and services that focus on customer diversification and has changed from being a provider centered on service to Regional Bell Operating Companies into a provider with new sales channels, including independent operating companies ("IOCs"), wireless service providers, multiple systems operators ("MSOs"), utility providers and OEMs worldwide. The Company acquired 100% of the common stock of Noran Tel, Inc. on January 2, 2007. With the addition of Noran Tel, the Company has obtained sales channels for some of its existing products, has added additional transmission products to offer in its existing sales channels and has gained new products in the areas of power distribution and remote monitoring. The Company is also investing in new product areas to complement wireless, fiber, and Ethernet applications.

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Results of Operations

Below is a table that compares revenue for the three and six months ended September 30, 2010 and 2009 by segment.

Revenue

(in thousands)	Three months ended September 30, 2010	2009	Change	Six months ended September 30, 2010	2009	Change
CNS	$24,598	$24,002	$ 596	$39,620	$ 52,626	$(13,006)
OSP	16,117	13,049	3,068	31,841	26,825	5,016
ConferencePlus	10,353	10,302	51	20,865	21,415	(550)
Consolidated revenue	$51,068	$47,353	$3,715	$92,326	$100,866	$ (8,540)

CNS revenue in the three months ended September 30, 2010 increased 2% compared to September 30, 2009. CNS revenue in the six months ended September 30, 2010 decreased 25% with the largest impact coming from lower sales of ULS3 product. Revenue from VersaLink gateways increased and modems decreased in both the three and six month periods ended September 30, 2010 compared to the same periods last year because end user demand has shifted toward wireless gateways from wired modems.

OSP revenue increased by 24% and 19% in the three and six months ended September 30, 2010, respectively, compared to the same periods last year due primarily to strong demand for products used in cellular backhaul initiatives.

ConferencePlus revenue was flat in the three months and decreased 3% the months six months ended September 30, 2010 compared to the same periods last year. The year over year decrease was due primarily to a lower average per minute price.

Gross Margin

	Three months ended September 30, 2010	2009	Change	Six months ended September 30, 2010	2009	Change
CNS	16.3%	17.5%	(1.2)%	19.2%	15.1%	4.1 %
OSP	45.5%	42.0%	3.5 %	44.7%	42.8%	1.9 %
ConferencePlus	49.7%	47.6%	2.1 %	49.2%	48.3%	0.9 %
Consolidated gross margin	32.3%	30.8%	1.5 %	34.8%	29.5%	5.3 %

CNS gross margin decreased in the three months ended September 30, 2010 compared to the same period in the prior year primarily due to lower selling prices across all products. In the six months ended September 30, 2010, CNS gross margin was also negatively impacted by lower selling prices but benefited from a more profitable product mix, including $0.9 million of revenue from higher-margin software revenue related to customer projects when compared to the same period in the prior year.

Gross margin in OSP increased in both the three and six month periods ended September 30, 2010 compared to the same periods in the prior year because of increased sales of higher margin network interface products and lower sales of lower margin mounting products.

ConferencePlus margins slightly improved in the quarter and six months ended September 30, 2010 compared to the same periods last year resulting from lower telco costs.

Sales and Marketing

(in thousands)	Three months ended September 30, 2010	2009	Change	Six months ended September 30, 2010	2009	Change
CNS	$1,267	$1,357	$ (90)	$2,579	$2,909	$(330)
OSP	1,509	1,255	254	2,950	2,531	419
ConferencePlus	1,895	1,846	49	3,630	3,956	(326)
Consolidated sales and marketing expense	$4,671	$4,458	$ 213	$9,159	$9,396	$(237)

Certain sales and marketing resources that supported the CNS segment in the three and six months ended September 30, 2009 were transferred to support the OSP segment in the three and six months ended September 30, 2010. This transfer resulted in lower CNS and higher OSP sales and marketing expenses in the current year periods compared to the prior year.

Sales and marketing expense in the CNS segment decreased by 7% and 11% in the three and six months ended September 30, 2010, respectively, compared to the same periods last year due primarily to lower warranty expenses and the resource transfer noted above.

Sales and marketing expense in the OSP segment increased 20% and 17% in the three and six months ended September 30, 2010, respectively, compared to the same periods last year due primarily to the resource changes noted above. In addition, compensation costs increased due to higher commission expense resulting from increased OSP revenue.

Sales and marketing expense decreased 8% in the ConferencePlus segment when comparing the six months ended September 30, 2010 to the same period last year due to approximately $260,000 of lower salary and related costs resulting from fewer employees and a reduction in spending.

Research and Development

	Three months ended September 30,			Six months ended September 30,		
(in thousands)	2010	2009	Change	2010	2009	Change
CNS	$1,902	$2,238	$(336)	$3,876	$4,766	$(890)
OSP	921	598	323	1,902	1,188	714
ConferencePlus	641	554	87	1,224	1,123	101
Consolidated research and development expense	$3,464	$3,390	$ 74	$7,002	$7,077	$ (75)

In the first quarter of fiscal year 2010, the Company reduced the number of its engineering employees primarily in the CNS segment, which resulted in lower expenses in the current fiscal year. In addition, certain engineering employees that supported the CNS segment in the prior fiscal year were transferred to support growth investment in Ethernet solutions for the OSP segment in the current fiscal year. This personnel transfer had the effect of creating lower CNS and higher OSP research and development expense.

Research and development expenses in the CNS segment decreased by 15% and 19% in the three and six months ended September 30, 2010, respectively, compared to the same periods in the prior fiscal year. The reduction was primarily due to lower salary and related costs due to the personnel changes noted above, and a general reduction in overall expenses, including depreciation.

Research and development expenses in the OSP segment increased by 54% and 60% in the three and six months ended September 30, 2010, respectively, compared to the same periods in the prior fiscal year. The increase resulted from the personnel changes noted above, the hiring of new employees, increased prototype expense and $120,000 of software license expense all incurred to support the development of Ethernet products.

Research and development expense in the Conference Plus segment increased by 16% and 9% in the three and six months ended September 30, 2010, respectively, compared to the same periods in the prior year due primarily to a reallocation of employee resources from information technology which is a part of general and administrative expense.

General and Administrative

	Three months ended September 30,			Six months ended September 30,		
(in thousands)	2010	2009	Change	2010	2009	Change
CNS	$ 688	$ 842	$(154)	$1,428	$1,661	$(233)
OSP	455	533	(78)	1,093	1,068	25
ConferencePlus	1,438	1,453	(15)	2,797	3,110	(313)
Unallocated corporate costs	668	752	(84)	1,280	1,513	(233)
Consolidated general and administrative expense	$3,249	$3,580	$(331)	$6,598	$7,352	$(754)

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CNS general and administrative expense decreased by 18% and 14% in the three and six months ended September 30, 2010, respectively, compared to the same periods in the prior fiscal year. OSP general and administrative expense decreased by 15% in the quarter ended September 30, 2010 compared to the same period in the prior fiscal year. CNS and OSP share certain general and administrative resources. The CNS segment received 62% and 65% of these resource costs and the OSP segment has been allocated 38% and 35% of the costs in fiscal years 2011 and 2010, respectively. General and administrative costs in the combined CNS and OSP segments were down in the three and six months ended September 30, 2010, respectively, compared to the same periods in the prior fiscal year due primarily to lower depreciation expense.

ConferencePlus general and administrative expense decreased by 10% in the six months ended September 30, 2010 compared to the same periods in the prior fiscal year. The decrease resulted primarily from lower bad debt expense, legal fees, employee-related costs and professional fees as well as a reallocation of employee resources from information technology to engineering, which is part of research and development expenses, as noted above.

Unallocated corporate general and administrative expense decreased by 11% and 15% in the three and six months ended September 30, 2010, respectively, compared to the same periods in the prior fiscal year. This decrease resulted predominately from a reduction in audit and legal costs.

Restructuring

	Three months ended September 30,			Six months ended September 30,		
(in thousands)	2010	2009	Change	2010	2009	Change
CNS	$ 0	$ 0	$ 0	$ 0	$414	$(414)
OSP	0	0	0	0	46	(46)
ConferencePlus	0	0	0	0	149	(149)
Consolidated restructuring expense	$ 0	$ 0	$ 0	$ 0	$609	$(609)

The Company had a reduction in force across all business units in the first quarter of fiscal 2010 that resulted in a total restructuring charge of $609,000. There were no restructuring charges in the six months ended September 30, 2010.

Intangible amortization

	Three months ended September 30,			Six months ended September 30,		
(in thousands)	2010	2009	Change	2010	2009	Change
CNS	$ 1	$ 0	$ 1	$ 2	$ 0	$ 2
OSP	134	132	2	268	261	7
ConferencePlus	28	28	0	56	56	0
Consolidated intangible amortization	$163	$160	$ 3	$326	$317	$ 9

The intangible assets consist primarily of product technology and customer relationships from previous acquisitions.

Other income, net Other income (expense), net, was an expense of $28,000 and $20,000 in the three months and $25,000 and $71,000 of income in the six months ended September 30, 2010 and 2009, respectively.

Income taxes The Company uses an estimated annual effective tax rate based on expected annual income to determine the quarterly provision for income taxes. The impact of discrete items is recorded in the quarter in which they occur. The Company assessed the realizability of the deferred tax assets, which determines the need for the associated valuation allowance. In its assessment, the Company considered whether it is more likely than not that some portion or all of the deferred tax assets will not be realized through the generation of future taxable income. As a result of this assessment, the Company has provided a full valuation allowance against deferred tax assets. The Company continues to assess the need for the valuation allowance at each balance sheet date based on all available evidence. In the future, it is possible that the Company may determine that it is more likely than not that it will be able to use the deferred tax assets. If such a determination is made, the valuation allowance would be reversed and an income tax benefit would result in that period.

In the three and six months ended September 30, 2010, the Company recorded $138,000 of tax expense and $335,000 of tax benefit, respectively. The Company recorded tax expense using an effective rate of 2.1% based on projected income for the fiscal year. Tax expense results from foreign and state tax. The Company was able to utilize its reserved net operating loss carryforwards to offset federal taxable income and federal alternative minimum taxable income. The Company had two discrete tax items which impacted the tax provision in the six months ended September 30, 2010. A $345,000 tax benefit was recorded in the first quarter of fiscal year 2011 related to the reversal of a reserve against an uncertain tax position because the statue of limitations related to the position expired. The Company also recorded a $178,000 benefit in the first quarter of fiscal 2011 that related to the Company's ability to fully offset alternative minimum taxable income with alternative minimum tax net operating loss carryforwards that were generated in fiscal year 2008. The Company recorded $75,000 and $230,000 of tax expense in the three and six months ended September 30, 2009, respectively, using an effective tax rate of 4.5% based on the projected income for the year. The Company will continue to reassess realizability of the deferred tax assets going forward.

Net income Net income was $4.8 million in the three months ended September 30, 2010 compared to net income of $2.9 million in the three month ended September 30, 2009. Net income was $9.4 million in the six months ended September 30, 2010 compared to a net income of $4.9 million in the six months ended September 30, 2009. The changes were due to the cumulative effects of the reasons stated above.

Liquidity and Capital Resources

At September 30, 2010, the Company had $70.1 million in cash and cash equivalents consisting of bank deposits and money market funds. At September 30, 2010, the Company had no amounts outstanding and $12.0 million available under its secured revolving credit facility.

The Company does not have any significant debt, nor does it have material capital expenditure requirements, balloon payments or other payments due on long term obligations. The Company does not have any off-balance sheet arrangements other than the Enginuity note described in Note 9 of the Condensed Consolidated Financial Statements or standard operating leases. Total future obligations and commitments as of September 30, 2010 were $86.2 million. The Company believes that the existing sources of liquidity and cash from operations will satisfy cash flow requirements for the foreseeable future.

The Company entered into a Credit Agreement with The Private Bank and Trust Company as of March 5, 2009 (the "Credit Agreement") and subsequently entered into a first amendment to its Credit agreement to extend the maturity date to March 31, 2011. The Credit Agreement is an asset-based revolving credit facility in an amount up to $12.0 million based on 80% of eligible accounts receivable plus the lesser of 30% of eligible inventory or $3.0 million. The obligations of the Company under the Credit Agreement are secured by a guaranty from certain direct and indirect domestic subsidiaries of the Company, and by substantially all of the assets of the Company.

The revolving loans under the Credit Agreement bear interest at the greater of the London Interbank Offered Rate ("LIBOR") plus a spread of 2.5%, or an alternative base rate plus a margin of 0.25%. The alternative base rate is the greater of prime rate or the Federal Funds rate plus 0.25% (the "Base Rate"). The Company is also required to pay non-use fees of 0.35% per annum on the unused portion of the revolving loans. These charges are waived if the Company maintains with the lender an average monthly demand deposit account balance of $5.0 million and an average monthly investment balance of $15.0 million. The Company has maintained such balances.

The Credit Agreement contains financial covenants that include a minimum earnings before interest, taxes, depreciation and amortization ("EBITDA"), a minimum tangible net worth and a limitation on capital expenditures for any fiscal year. The Company was in compliance with these covenants on September 30, 2010.

The Company's operating activities provided cash of $9.4 million in the six months ended September 30, 2010. Cash was provided primarily from net income of $9.4 million plus non-cash items of $2.0 million consisting of depreciation, amortization and stock-based compensation, but was offset by a cash use of $2.0 million from changes in working capital. The Company's investing activities used $359,000 for capital expenditures primarily in the ConferencePlus segment in the six months ended September 30, 2010. The Company's financing activities used $555,000 of cash for the purchase of treasury stock and generated $314,000 from the exercise of stock options in the six months ended September 30, 2010.

Future obligations and commitments increased $12.5 million in the six-month period ended September 30, 2010 to $86.2 million, up from $73.7 million at March 31, 2010 due primarily to an increase in inventory purchase obligations in the CNS segment.

As of September 30, 2010, the Company had deferred tax assets of approximately $66.0 million before a valuation allowance of $60.3 million, which reduced the recorded net non-current deferred tax asset to $5.7 million. The remaining deferred tax asset is fully reserved against by a provision for uncertain tax positions recorded in other long-term liabilities.

The Company's net operating loss carryforwards begin to expire in 2020. 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 uses estimates of future taxable income to access the valuation allowance required against the deferred tax assets. Management periodically evaluates the recoverability of the deferred tax assets and will adjust the valuation allowance against deferred tax assets accordingly.

Critical Accounting Policies

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, 2010.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS.

As of September 30, 2010, there were no material changes to the information provided in Item 7A of the Company's Annual Report on Form 10-K for fiscal year ended March 31, 2010.

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 September 30, 2010 that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is involved in various legal proceedings incidental to the Company's business. In the ordinary course of our business, we are routinely audited and subject to inquiries by governmental and regulatory agencies. Management believes that the outcome of such proceedings will not have a material adverse effect on our consolidated operations or financial condition.

ITEM 1A. RISK FACTORS

See "Risk Factors" in Part 1 – Item 1A of our Annual Report on Form 10-K for the year ended March 31, 2010 for information about risk factors. There have been no material changes in our risk factors from those disclosed in our Annual Report on Form 10-K for the year ended March 31, 2010.

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 September 30, 2010.

Period	Total Number of Shares Purchased	Average Price Paid per Share (a)	Total Number of Shares Purchased as Part of Publicly Announced Program (b)	Maximum Number (or Approximate Dollar Value) that May Yet Be Purchased Under the Program (b)
July 1 - 31, 2010	103,200	$ 1.6851	103,200	$ 9,456,107
August 1 - 31, 2010	6,303	$ 1.7900	6,303	$ 9,444,824
September 1 - 30, 2010	—	$ —	—	$ 9,444,824
Total	109,503	$ 1.6911	109,503	$ 9,444,824

(a) Average price paid per share excludes commissions.
(b) In February 2010, the Board of Directors authorized a share repurchase program whereby the Company may repurchase up to an aggregate of $10.0 million of its outstanding Class A Common Stock.

ITEM 5. OTHER EVENTS

On October 22, 2010, the Company entered into indemnification agreements (the "Indemnification Agreements") with each member of its Board of Directors and each executive officer (each, an "Indemnitee"). The Indemnification Agreements are intended to provide the directors and officers with the maximum protection available under Delaware law in connection with their services to the Company.

The Indemnification Agreements provide, among other things, that subject to certain procedures and conditions, the Company will, indemnify an Indemnitee from and against any and all expenses, liability or loss, judgments, fines, ERISA excise taxes and penalties, amounts paid or to be paid in settlement, any interest, assessments, or other charges imposed thereon, and any federal, state, local, or foreign taxes imposed as a result of the actual or deemed receipt of any payments under the Agreement, to the fullest extent permitted by applicable law. In addition, the Indemnification Agreements provide for the advancement of expenses incurred by the Indemnitee, subject to certain conditions and exceptions, in connection with any proceeding covered by the Indemnification Agreements.

This description of the Indemnification Agreements is qualified in its entirety by reference to the complete terms and conditions of the form of Indemnification Agreement, which is filed as Exhibit 10.1 hereto and is incorporated herein by reference.

ITEM 6. EXHIBITS

Exhibit 10.1	Form of Indemnification Agreement for Directors and Officers of the Company
Exhibit 10.2	Amended and Restated Westell Technologies, Inc. 2004 Stock Incentive Plan (incorporated herein by reference to Annex A to the Company's Proxy Statement for the 2010 Annual Meeting of Stockholders filed on July 29, 2010)
Exhibit 10.3	Westell Technologies, Inc. Incentive Compensation Plan (incorporated herein by reference to Annex B to the Company's Proxy Statement for the 2010 Annual Meeting of Stockholders filed on July 29, 2010)
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

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

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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: October 22, 2010	By: /s/ Richard S. Gilbert Richard S. Gilbert Chief Executive Officer
	By: /s/ Brian S. Cooper Brian S. Cooper Chief Financial Officer
	By: /s/ Amy T. Forster Amy T. Forster Chief Accounting Officer

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WESTELL TECHNOLOGIES, INC.
EXHIBIT INDEX

Exhibit Number	Description
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Exhibit 10.1

WESTELL
INDEMNIFICATION AGREEMENT

THIS AGREEMENT is entered into, effective as of October 22, 2010, between WESTELL TECHNOLOGIES, INC., a Delaware corporation (the "Company") and __________ ("Indemnitee").

WHEREAS, it is essential to the Company to retain and attract as directors, officers and employees the most capable persons available;

WHEREAS, Indemnitee is a director, and/or officer, and/or employee of the Company;

WHEREAS, both the Company and Indemnitee recognize the increased risk of litigation and other claims currently being asserted against directors, officers and employees of corporations; and

WHEREAS, in recognition of Indemnitee's need for substantial protection against personal liability in order to enhance Indemnitee's continued and effective service to the Company, and in order to induce Indemnitee to provide services to the Company as a director, officer or employee, the Company wishes to provide in this Agreement for the indemnification of and the advancing of expenses to Indemnitee to the fullest extent (whether partial or complete) permitted by law and as set forth in this Agreement, and, to the extent insurance is maintained which includes Indemnitee as a covered party, for the coverage of Indemnitee under the Company's directors' and officers' liability insurance policies.

NOW, THEREFORE, in consideration of the above premises and of Indemnitee's continuing to serve the Company directly or, at its request, with another enterprise, and intending to be legally bound hereby, the parties agree as follows:

1. Agreement to Indemnify.

(a) General Agreement. In the event Indemnitee was, is, or becomes a party to or witness or other participant in, or is threatened to be made a party to or witness or other participant in, a Proceeding by reason of (or arising in part out of) an Indemnifiable Event, the Company shall indemnify Indemnitee from and against any and all Expenses, liability or loss, judgments, fines, ERISA excise taxes and penalties, amounts paid or to be paid in settlement, any interest, assessments, or other charges imposed thereon, and any federal, state, local, or foreign taxes imposed as a result of the actual or deemed receipt of any payments under this Agreement, to the fullest extent permitted by applicable law, as the same exists or may hereafter be amended or interpreted (but in the case of any such amendment or interpretation, only to the extent that such amendment or interpretation permits the Company to provide broader indemnification rights than were permitted prior thereto). The parties hereto intend that this Agreement shall provide for indemnification in excess of that expressly permitted by statute.

(b) Initiation of Proceeding. Notwithstanding anything in this Agreement to the contrary, Indemnitee shall not be entitled to indemnification or advancement pursuant to this Agreement in connection with any Proceeding initiated by Indemnitee against the Company or any director or officer of the Company unless (i) the Company has joined in or the Board has consented to the initiation of such Proceeding; (ii) the Proceeding is one to (A) enforce indemnification rights under this Agreement or (B) recover under directors' and officers' liability insurance policies maintained by the Company ; or (iii) the Proceeding is instituted after a Change in Control.

(c) Expense Advances. If so requested by Indemnitee, the Company shall advance any and all Expenses to Indemnitee (an "Expense Advance") within twenty (20) calendar days after the receipt by the Company of a statement or statements from Indemnitee requesting such advance or advances, whether prior to or after final disposition of any Proceeding. Advances shall be made without regard to Indemnitee's ability to repay the Expenses and without regard to Indemnitee's ultimate entitlement to indemnification under the provisions of this Agreement. The Indemnitee shall qualify for advances either: (a) upon the execution and delivery of an undertaking which is satisfactory to the Company in form and substance; or, (b) by the Company electing to rely on the Indemnitee's execution of this Agreement and therefore agreeing to repay any advance if and to the extent that it is ultimately determined said Indemnitee is not entitled to be indemnified by the Company.

The Company can require, but is not required to do so, a separate undertaking to repay advances. Advances shall include any and all reasonable Expenses incurred pursuing an action to enforce this right of advancement. If Indemnitee has commenced legal proceedings in a court of competent jurisdiction in the State of Delaware to secure a determination that Indemnitee should be indemnified under applicable law, as provided in Section 3, any determination made by the Reviewing Party that Indemnitee would not be permitted to be indemnified under applicable law shall not be binding and Indemnitee shall not be required to reimburse the Company for any Expense Advance until a final judicial determination is made with respect thereto (as to which all rights of appeal therefrom have been exhausted or have lapsed). Indemnitee's obligation to reimburse the Company for Expense Advances shall be unsecured and no interest shall be charged thereon (except to the extent required by law).

(d) Mandatory Indemnification. Notwithstanding any other provision of this Agreement, to the extent that Indemnitee has been successful on the merits in defense of any Proceeding relating in whole or in part to an Indemnifiable Event or in defense of any issue or matter therein, Indemnitee shall be indemnified against all Expenses incurred in connection therewith.

(e) Partial Indemnification. If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of Expenses, but not, however, for the total amount thereof, the Company shall nevertheless indemnify Indemnitee for the portion thereof to which Indemnitee is entitled.

2. Reviewing Party.

(a) Prior to any Change in Control, the person, persons or entity ("the Reviewing Party") who shall determine whether Indemnitee is entitled to indemnification in the first instance shall be (a) the Board of Directors of the Company acting by a majority vote of Disinterested Directors, whether or not such majority constitutes a quorum of the Board of Directors; (b) a committee of Disinterested Directors designated by a majority vote of such directors, whether or not such majority constitutes a quorum; or (c) if there are no Disinterested Directors, or if the Disinterested Directors so direct, by Independent Counsel (as described below in Section 2(b)) in a written determination to the Board of Directors, a copy of which shall be delivered to Indemnitee.

(b) After a Change in Control, the Reviewing Party shall be the Independent Counsel referred to below. With respect to all matters arising from a Change in Control (other than a Change in Control approved by a majority of the directors on the Board who were directors immediately prior to such Change in Control) concerning the rights of Indemnitee to indemnity payments and Expense Advances under this Agreement or any other agreement or under applicable law or the Company's certificate of incorporation or by-laws now or hereafter in effect relating to indemnification for Indemnifiable Events, the Company shall seek legal advice only from Independent Counsel selected by Indemnitee and approved by the Company (which approval shall not be unreasonably withheld, delayed, or conditioned), and who has not otherwise performed services for the Company or the Indemnitee (other than in connection with indemnification matters) within the last five years. The Independent Counsel shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee's rights under this Agreement. Such counsel, among other things, shall render its written opinion to the Company and Indemnitee as to whether and to what extent the Indemnitee should be permitted to be indemnified under applicable law. The Company agrees to pay the reasonable fees of the Independent Counsel and to indemnify fully such counsel against any and all expenses (including attorneys' fees), claims, liabilities, loss, and damages arising out of or relating to this Agreement or the engagement of Independent Counsel pursuant hereto.

3. Indemnification Process and Appeal.

(a) Indemnification Payment. Indemnitee shall be entitled to indemnification of Expenses, and shall receive payment thereof, from the Company in accordance with this Agreement within twenty (20) calendar days after Indemnitee has made written demand on the Company for indemnification (which written demand shall include such documentation and information as is reasonably available to Indemnitee and is reasonably necessary to determine whether and to what extent Indemnitee is entitled to indemnification), unless the Reviewing Party has provided a written determination to the Company that Indemnitee is not entitled to indemnification under applicable law. The Reviewing Party making the determination with respect to Indemnitee's entitlement to indemnification shall notify Indemnitee of such written determination no later than two (2) business days thereafter.

(b) Suit to Enforce Rights. If (i) no determination of entitlement to indemnification shall have been made within twenty (20) calendar days after Indemnitee has made a demand in accordance with Section 3(a), (ii) payment of indemnification pursuant to Section 3(a) is not made within twenty (20) calendar days after a determination has been made that Indemnitee is entitled to indemnification, (iii) the Reviewing Party determines pursuant to Section 3(a) that Indemnitee is not entitled to indemnification under this Agreement, or (iv) Indemnitee has not received advancement of Expenses within twenty (20) calendar days after making such a request in accordance with Section 1(c), then Indemnitee shall have the right to enforce its indemnification rights under this Agreement by commencing litigation in any court of competent jurisdiction in the State of Delaware seeking an initial determination by the court or challenging any determination by the Reviewing Party or any aspect thereof. The Company hereby consents to service of process and to appear in any such proceeding. Any determination by the Reviewing Party not challenged by the Indemnitee on or before the first anniversary of the date of the Reviewing Party's determination shall be binding on the Company and Indemnitee. The remedy provided for in this Section 3 shall be in addition to any other remedies available to Indemnitee in law or equity.

(c) Defense to Indemnification, Burden of Proof, and Presumptions.

(i) To the maximum extent permitted by applicable law in making a determination with respect to entitlement to indemnification (or advancement of expenses) hereunder, the Reviewing Party shall presume that an Indemnitee is entitled to indemnification (or advancement of expenses) under this Agreement if Indemnitee has submitted a request for indemnification in accordance with Section 3(a) of this Agreement, and the Company shall have the burden of proof to overcome that presumption in connection with the making by the Reviewing Party of any determination contrary to that presumption.

(ii) It shall be a defense to any action brought by Indemnitee against the Company to enforce this Agreement (other than an action brought to enforce a claim for Expenses incurred in defending a Proceeding in advance of its final disposition where the required undertaking has been tendered to the Company) that it is not permissible under applicable law for the Company to indemnify Indemnitee for the amount claimed.

(iii) In connection with any action brought pursuant to Section 3(c)(ii) as to whether Indemnitee is entitled to be indemnified hereunder, the burden of proving Indemnitee is not entitled to indemnification under this Agreement shall be on the Company.

(iv) Neither the failure of the Reviewing Party or the Company (including its Board, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such action by Indemnitee that indemnification of the claimant is proper under the circumstances because Indemnitee has met the standard of conduct set forth in applicable law, nor an actual determination by the Reviewing Party or Company (including its Board, independent legal counsel, or its stockholders) that the Indemnitee had not met such applicable standard of conduct, shall be admissible as evidence in any such action for any purpose.

(v) For purposes of this Agreement, the termination of any claim, action, suit, or proceeding, by judgment, order, settlement (whether with or without court approval), conviction, or upon a plea of nolo contendere, or its equivalent, shall not create a presumption that Indemnitee did not meet any particular standard of conduct or have any particular belief or that a court has determined that indemnification is not permitted by applicable law.

4. Notification and Defense of Proceeding.

(a) Notice. Promptly after receipt by Indemnitee of notice of the commencement of any Proceeding, Indemnitee will, if a claim in respect thereof is to be made against the Company under this Agreement, notify the Company of the commencement thereof; but the omission so to notify the Company will not relieve it from any liability that it may have to Indemnitee, except as provided in Section 4(c).

(b) Defense. With respect to any Proceeding as to which Indemnitee notifies the Company of the commencement thereof, the Company will be entitled to participate in the Proceeding at its own expense and except as otherwise provided below, to the extent the Company so wishes, it may assume the defense thereof with counsel reasonably satisfactory to Indemnitee. After notice from the Company to Indemnitee of its election to assume the defense of any Proceeding, the Company will not be liable to Indemnitee under this Agreement or otherwise for any Expenses subsequently incurred by Indemnitee in connection with the defense of such Proceeding other than reasonable costs of investigation or as otherwise provided below. Indemnitee shall have the right to employ his own counsel in such Proceeding, but all Expenses related thereto incurred after notice from the company of its assumption of the defense shall be at Indemnitee’s expense unless: (i) the employment of counsel by Indemnitee has been authorized by the Company, (ii) Indemnitee has reasonably determined that there may be a conflict of interest between Indemnitee and the Company in the defense of the Proceeding, (iii) after a Change in Control, the employment of counsel by Indemnitee has been approved by the Independent Counsel, or (iv) the Company shall not within sixty (60) calendar days in fact have employed counsel to assume the defense of such Proceeding, in each of which case all Expenses of the Proceeding shall be borne by the Company; and (v) if the Company has selected counsel to represent Indemnitee and other current and former directors, officers and employees of the Company in the defense of a Proceeding, and a majority of such persons, including Indemnitee, reasonably object to such counsel selected by the Company pursuant to this Section 4(b), then such persons, including Indemnitee, shall be permitted to employ one (1) additional counsel of their choice and the reasonable fees and expenses of such counsel shall be at the expense of the Company; provided, however, that such counsel shall be chosen from amongst the list of counsel, if any, approved by any company with which the Company obtains or maintains insurance. In the event separate counsel is retained by an Indemnitee pursuant to this Section 4(b), the Company shall cooperate with Indemnitee with respect to the defense of the Proceeding, including making documents, witnesses and other reasonable information related to the defense available to the Indemnitee and such separate counsel pursuant to joint-defense agreements or confidentiality agreements, as appropriate. The Company shall not be entitled to assume the defense of any Proceeding brought by or on behalf of the Company or as to which Indemnitee shall have made the determination provided for in (ii) above.

(c) Settlement of Claims. The Company shall not be liable to indemnify Indemnitee under this Agreement or otherwise for any amounts paid in settlement of any Proceeding effected without the Company’s written consent, provided, however, that if a Change in Control has occurred, the Company shall be liable for indemnification of Indemnitee for amounts paid in settlement if the Independent Counsel has approved the settlement. The Company shall not settle any Proceeding in any manner that would impose any penalty or limitation on Indemnitee without Indemnitee’s written consent. Neither the Company nor the Indemnitee will unreasonably withhold their consent to any proposed settlement. The Company shall not be liable to indemnify the Indemnitee under this Agreement with regard to any judicial award if the Company was not given a reasonable and timely opportunity, at its expense, to participate in the defense of such action; the Company’s liability hereunder shall not be excused if participation in the Proceeding by the Company was barred by this Agreement.

5. Certain Definitions:

(a) Board: the Board of Directors of the Company.

(b) Change in Control: a “Change in Control” of the Company shall be deemed to have occurred as of the first day that any one or more of the following conditions shall have been satisfied:

(i) the consummation of the purchase by any person, entity or group of persons, within the meaning of Section 13(d) or 14(d) of the Securities Exchange Act of 1934, as amended, except the Voting Trust (together with its affiliates) formed pursuant to the Voting Trust Agreement dated February 23, 1994, as amended, among Robert C. Penny III and Melvin J. Simon, as co-trustees, and certain members of the Penny family and the Simon family, of ownership of shares representing more than 50% of the combined voting power of the Company’s voting securities entitled to vote generally (determined after giving effect to the purchase);

(ii) a reorganization, merger or consolidation of the Company, in each case, with respect to which persons who were shareholders of the Company immediately prior to such reorganization, merger or consolidation do not, immediately thereafter, own 50% or more of the combined voting power entitled to vote generally of the Company or the surviving or resulting entity (as the case may be); or

(iii) a sale of all or substantially all of the Company's assets, except that a Change in Control shall not exist under this clause (c) if the Company or persons who were shareholders of the Company immediately prior to such sale continue to collectively own 50% or more of the combined voting power entitled to vote generally of the acquirer.

(c) Disinterested Director. a director of the Company who is not and was not a party to the Proceeding in respect of which indemnification is sought by Indemnitee.

(d) Expenses: any expense, including without limitation, reasonable attorneys' fees, retainers, court costs, transcript costs, fees and expenses of experts, including accountants and other advisors, travel expenses, duplicating costs, postage, delivery service fees, filing fees, and all other disbursements or expenses of the types typically paid or incurred in connection with investigating, defending, being a witness in, or participating in (including on appeal), or preparing for any of the foregoing in, any Proceeding relating to any Indemnifiable Event, and any expenses of establishing a right to indemnification under Sections 1 and 3 of this Agreement.

(e) Indemnifiable Event: any event or occurrence that takes place either prior to or after the execution of this Agreement, related to the fact that Indemnitee is or was a director, officer or employee of the Company, or while a director, officer or employee, is or was serving at the request of the Company as a director, officer, employee, trustee, agent, limited partner, member or fiduciary of another foreign or domestic corporation, partnership, joint venture, employee benefit plan, trust, or other enterprise, or was a director, officer, employee, or agent of a foreign or domestic corporation that was a predecessor corporation of the Company or of another enterprise at the request of such predecessor corporation, or related to anything done or not done by Indemnitee in any such capacity, whether or not the basis of the Proceeding is alleged action in an official capacity as a director, officer, employee, or agent or in any other capacity while serving as a director, officer, employee, or agent of the Company, as described above.

(f) Independent Counsel: the person or body appointed in connection with Section 2.

(g) Proceeding: any threatened, pending, or completed action, suit, arbitration, alternative dispute mechanism, inquiry, administrative or legislative hearing, investigation or any other actual, threatened or completed proceeding, including any and all appeals, whether conducted by the Company or any other party, whether civil, criminal, administrative, investigative, or other, and in each case whether or not commenced prior to the date of this Agreement, that relates to an Indemnifiable Event.

(h) Reviewing Party: the person or body appointed in accordance with Section 2.

(i) Voting Securities: any securities of the Company that vote generally in the election of directors.

6. Non-Exclusivity. The rights of Indemnitee hereunder shall be in addition to any other rights Indemnitee may have under the laws of the State of Delaware, the Company's certificate of incorporation, by-laws, applicable law, or otherwise. To the extent that a change in applicable law (whether by statute or judicial decision) permits greater indemnification by agreement than would be afforded currently under the Company's certificate of incorporation, by-laws, applicable law, or this Agreement, it is the intent of the parties that Indemnitee enjoy by this Agreement the greater benefits so afforded by such change.

7. Liability Insurance. To the extent the Company maintains an insurance policy or policies providing directors' or officers' liability insurance, Indemnitee, if a director or officer of the Company, shall be covered by such policy or policies, in accordance with its or their terms.

8. Period of Limitations. No legal action shall be brought and no cause of action shall be asserted by or on behalf of the Company or any affiliate of the Company against Indemnitee, Indemnitee's spouse, heirs, executors, or personal or legal representatives after the expiration of two years from the date of accrual of such cause of action, or such longer period as may be required or permitted by federal or state law under the circumstances. Any claim or cause of action of the Company or its affiliate shall be extinguished and deemed released unless asserted by the timely filing of a legal action within such period; provided, however, that if any shorter period of limitations is otherwise applicable to any such cause of action the shorter period shall govern.

9. Amendment of this Agreement. No supplement, modification, or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall operate as a waiver of any other provisions hereof (whether or not similar), nor shall such waiver constitute a continuing waiver. Except as specifically provided herein, no failure to exercise or any delay in exercising any right or remedy hereunder shall constitute a waiver thereof.

10. Subrogation. In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and shall do everything that may be necessary to secure such rights, including the execution of such documents necessary to enable the Company effectively to bring suit to enforce such rights.

11. No Duplication of Payments. The Company shall not be liable under this Agreement to make any payment in connection with any claim made against Indemnitee to the extent Indemnitee has otherwise actually received payment (under any insurance policy, by law, or otherwise) of the amounts otherwise indemnifiable hereunder.

12. Binding Effect. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors, assigns, including any direct or indirect successor by purchase, merger, consolidation, or otherwise to all or substantially all of the business and/or assets of the Company, spouses, heirs, and personal and legal representatives. The Company shall require and cause any successor (whether direct or indirect by purchase, merger, consolidation, or otherwise) to all, substantially all, or a substantial part, of the business and/or assets of the Company, by written agreement in form and substance satisfactory to Indemnitee, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place. This Agreement shall continue in effect regardless of whether Indemnitee continues to serve as a director, officer or employee of the Company or of any other enterprise at the Company's request.

13. Severability. If any provision (or portion thereof) of this Agreement shall be held by a court of competent jurisdiction to be invalid, void, or otherwise unenforceable, the remaining provisions shall remain enforceable to the fullest extent permitted by law. Furthermore, to the fullest extent possible, the provisions of this Agreement (including, without limitation, each portion of this Agreement containing any provision held to be invalid, void, or otherwise unenforceable, that is not itself invalid, void, or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, void, or unenforceable.

14. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Delaware applicable to contracts made and to be performed in such State without giving effect to the principles of conflicts of laws.

15. Notices. All notices, demands, and other communications required or permitted hereunder shall be made in writing and shall be deemed to have been duly given if delivered by hand, against receipt, or mailed, postage prepaid, certified or registered mail, return receipt requested, and addressed to the Company at:

Westell Technologies, Inc.
750 N. Commons Drive
Aurora, IL 60504
Attn: CEO

and to Indemnitee at:

750 N. Commons Drive
Aurora, IL 60504

Notice of change of address shall be effective only when done in accordance with this Section. All notices complying with this Section shall be deemed to have been received on the date of delivery or on the third business day after mailing.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Agreement as of the day specified above.

WESTELL TECHNOLOGIES, INC.

By: ______________________________
Name: ______________________________
Title: ______________________________

INDEMNITEE

By: ______________________________
Name: ______________________________
Title: ______________________________

Exhibit 31.1

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

I, Richard S. Gilbert, certify that:

(1) I have reviewed this quarterly report on Form 10-Q for the period ended September 30, 2010 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: October 22, 2010

/s/ Richard S. Gilbert

Richard S. Gilbert
Chief Executive Officer

Exhibit 31.2

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

I, Brian S. Cooper, certify that:

(1) I have reviewed this quarterly report on Form 10-Q for the period ended September 30, 2010 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: October 22, 2010

/s/ Brian S. Cooper

Brian S. Cooper
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 September 30, 2010 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/ Richard S. Gilbert
Richard S. Gilbert
Chief Executive Officer
October 22, 2010

/s/ Brian S. Cooper
Brian S. Cooper
Chief Financial Officer
October 22, 2010

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.