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xG Technology and Treco agree on infrastructure deal

xG Technology Inc., (AIM: XGT), which is implementing a revolutionary low cost mobile communications system to defy all others currently on the market, has marked the foundations for a long term relationship with Treco International by signing a preliminary, binding agreement to act as its exclusive infrastructure partner in the roll out of the base stations across the US.

Under the agreement, Treco, which recently placed an order for 1,000 base stations and an option for a further 4,000, would rent the equipment to xG's territory partners, such as regional internet service providers and local telecoms carriers. The capital cost to xG's customers of implementing and running the network, which is a fraction of its competitors, will dramatically hasten the deployment of the revolutionary mobile service.

Given the unique patented xMax technology which uses the internet to carry its voice traffic - so-called VoIP calling - xG's territory partners will be able to offer high quality mobile communications packages at low fixed prices, thereby beating competitors in terms of both cost and service provision. xG expects that its xMax system will begin deploying next month in the southern Florida market, with other US territories following quickly on. xMax's superior technology capabilities mean that data and modem services will be added on early in 2009.

Treco International is part of the Treco Group, which also includes Casper Holdings, a company that recently took a 4.4 per cent stake in xG. Treco Group is a private conglomerate with its major holdings in real estate, finance and telecommunications.

Rick Mooers, Chairman and Chief Executive of xG, said: *"Treco significantly changes the equation for both xG and our customers and makes the commercial case for switching to the xMax service even more compelling. In this depressing economic climate the mobile market is still, more than ever, in need of our unique VoIP-based solution. xG is delighted to have established a relationship with Treco and, therefore, are in the privileged position to execute a swift delivery of this revolutionary system."*

In a statement, Treco Group said: *"We have many years of experience backing successful entrepreneurial ventures and are in a unique capital position, free from external financing for any present or future obligation. We are now thrilled to be a part of something which will have such wide ranging global impact and our involvement will assist in delivering the xMax service more efficiently and profitably for all concerned."*

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ABOUT XG TECHNOLOGY

Based in Florida, USA, xG Technology, Inc. has developed innovative, patented wireless communications technologies which offer the potential to significantly reduce the required capital investment and operating costs of wireless voice and data communications services. Its mobile VoIP (Voice over Internet Protocol) base station and handset product line - branded as xMax - is intended for use by regional carriers (internet service providers, competitive local exchange carriers and entrepreneurial parties) which seek to deliver mobile Internet Protocol voice and data services directly to consumers without using the incumbent circuit switched or coaxial cable networks. The xMax system provides an extended range of operation and is expected to provide superior handset battery performance and double the call capacity of mobile Wi-Max networks. Planned future releases of the xMax product line include integrated video and data applications.

COPIES OF ANNOUNCEMENT

Copies of this announcement will be available from the Company's website (www.xgtechnology.com) and from the offices of its Nominated Adviser, ING Bank N.V., London Branch, 60 London Wall, London EC2