

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2013

or

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

For the transition period from _____ to _____.

Commission File Number: **333-187094**

xG Technology, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

20-585-6795

(I.R.S. Employer Identification No.)

240 S. Pineapple Avenue, Suite 701

Sarasota, FL 34236

(Address of principal executive offices) (Zip Code)

(941) 953-9035

(Registrant's telephone number, including area code)

n/a

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes 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, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

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

The number of shares of the Registrant's common stock outstanding as of August 29, 2013 is 11,045,542.

xG TECHNOLOGY, INC.
QUARTERLY REPORT ON FORM 10-Q
For the quarter ended June 30, 2013

Page Number

PART I: FINANCIAL INFORMATION	1
Item 1. Financial Statements	1
Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations	16
Item 3. Quantitative and Qualitative Disclosures About Market Risk	21
Item 4. Controls and Procedures	21
PART II. OTHER INFORMATION	22
Item 1. Legal Proceedings	22
Item 1A. Risk Factors	22
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	22
Item 3. Defaults Upon Senior Securities	22
Item 4. Mine Safety Disclosures	22
Item 5. Other Information	22
Item 6. Exhibits	23
SIGNATURES	24

PART I: FINANCIAL INFORMATION

Item 1. Financial Statements

Index to Financial Statements

Unaudited Condensed Balance Sheets as of June 30, 2013 and December 31, 2012	2
Unaudited Condensed Statements of Operations for the three and six months ended June 30, 2013 and 2012	3
Unaudited Condensed Statements of Cash Flows for the six months ended June 30, 2013 and June 30, 2012	4
Notes to Condensed Financial Statements	5

The Company's unaudited condensed financial statements for the six months ended June 30, 2013 and for comparable periods in the prior year are included below. The financial statements should be read in conjunction with the notes to financial statements that follow.

xG TECHNOLOGY, INC.
UNAUDITED CONDENSED BALANCE SHEETS
(IN THOUSANDS EXCEPT PER SHARE DATA)

	June 30, 2013	December 31, 2012
ASSETS		
Current assets		
Cash	\$ 25	\$ 271
Inventory	453	—
Prepaid expenses and other current assets	640	16
Total current assets	1,118	287
Property and equipment, net	1,560	1,725
Intangible assets, net	18,622	17,608
Total assets	<u>\$ 21,300</u>	<u>\$ 19,620</u>
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities		
Accounts payable	\$ 2,165	\$ 655
Accrued expenses	1,170	754
Accrued bonuses	2,633	2,633
Accrued interest and fees	79	—
Accrued interest and fees to related parties	946	1,169
Due to related party	2,316	1,098
Convertible bridge loan payable	1,577	—
Convertible bridge loan payable to related party	6,471	—
Convertible notes payable to related party	—	17,198
Total current liabilities	17,357	23,507
Convertible notes payable to related party	2,000	2,000
Total liabilities	<u>19,357</u>	<u>25,507</u>
Commitments		
Stockholders' equity (deficit)		
Series A Convertible Preferred Stock – \$0.01 par value per share:		
25,000,000 shares authorized, none issued or outstanding as of June 30, 2013 and December 31, 2012	—	—
Common stock – \$0.00001 par value, 300,000,000 and 250,000,000 shares authorized at June 30, 2013 and December 31, 2012, respectively; 7,321,836 and 6,041,946 shares issued at June 30, 2013 and December 31, 2012, respectively		
	—*	—*
Additional paid in capital	133,828	118,247
Accumulated deficit	(131,863)	(124,112)
Treasury stock, at cost – 2,284 shares at June 30, 2013 and December 31, 2012, respectively	(22)	(22)
Total stockholders' equity (deficit)	1,943	(5,887)
Total liabilities and stockholders' equity (deficit)	<u>\$ 21,300</u>	<u>\$ 19,620</u>

* Less than \$1

The accompanying notes are an integral part of these statements.

xG TECHNOLOGY, INC.
UNAUDITED CONDENSED STATEMENTS OF OPERATIONS
(IN THOUSANDS EXCEPT NET LOSS PER SHARE DATA)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2013	2012	2013	2012
Revenue	\$ -	\$ -	\$ -	\$ -
Cost of revenue and operating expenses				
General and administrative expenses	1,158	1,395	2,508	2,642
Development	1,352	838	2,999	1,899
Stock based compensation	201	134	336	108
Amortization and depreciation	435	517	870	1,027
Total cost of revenue and operating expenses	<u>3,146</u>	<u>2,884</u>	<u>6,713</u>	<u>5,676</u>
Loss from operations	<u>(3,146)</u>	<u>(2,884)</u>	<u>(6,713)</u>	<u>(5,676)</u>
Other (expense)				
Interest expense, net	(424)	(107)	(1,038)	(194)
Loss before income tax provision	<u>(3,570)</u>	<u>(2,991)</u>	<u>(7,751)</u>	<u>(5,870)</u>
Income tax provision	-	-	-	-
Net loss	<u>\$ (3,570)</u>	<u>\$ (2,991)</u>	<u>\$ (7,751)</u>	<u>\$ (5,870)</u>
Basic and diluted net loss per share	\$ (0.49)	\$ (0.50)	\$ (1.15)	\$ (0.97)
Weighted average number of shares outstanding basic and diluted	7,319	6,033	6,723	6,025

The accompanying notes are an integral part of these statements.

xG TECHNOLOGY, INC.
UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	Six Months Ended June 30,	
	2013	2012
Cash flows from operating activities		
Net loss	\$ (7,751)	\$ (5,870)
Adjustments to reconcile net loss to net cash used in operating activities		
Stock based compensation	336	108
Share-based consulting and other services	34	143
Depreciation and amortization	870	1,027
Accretion of financing instruments	119	—
Amounts paid by affiliate on behalf of xG	—	1,339
Changes in assets and liabilities		
Inventory	(453)	—
Other current assets	(362)	13
Accounts payable	1,510	6
Accrued expenses	168	(21)
Accrued interest and fees (\$79 to related party)	1,110	397
Due to related party	1,218	—
Net cash used in operating activities	<u>(3,201)</u>	<u>(2,858)</u>
Cash flows from investing activities		
Capital expenditures for property and equipment	(12)	(214)
Capitalization of intangible assets	(1,707)	(2,296)
Net cash used in investing activities	<u>(1,719)</u>	<u>(2,510)</u>
Cash flows from financing activities		
Proceeds from convertible notes payable to related party	450	5,115
Proceeds from convertible bridge loan payable (\$2,747 to related party)	4,224	—
Proceeds from exercise of options	—	2
Proceeds from issuance of common stock	—	400
Net cash provided by financing activities	<u>4,674</u>	<u>5,517</u>
Net (decrease) increase in cash	<u>(246)</u>	<u>149</u>
Cash, beginning of period	271	133
Cash, end of period	<u>\$ 25</u>	<u>\$ 282</u>
Supplemental cash flow disclosures of investing and financing activities		
Conversion of notes payable	\$ 15,000	\$ —
Principal, accrual interest and fees refinanced under the bridge loan	4,041	—
Debt discount recorded on bridge loan	336	—
Stock issued as payment for interest on convertible notes	90	90

The accompanying notes are an integral part of these statements.

xG TECHNOLOGY, INC.
NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2013 AND DECEMBER 31, 2012 AND FOR THE
THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2013 AND 2012
(Unaudited)

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

xG Technology, Inc. (the “Company”) is a Delaware corporation that has developed a broad portfolio of innovative intellectual property that we believe will enhance wireless communications. Our intellectual property is embedded in proprietary software algorithms designed to offer cognitive interference mitigation and spectrum access solutions to organizations in a wide variety of industries, including national defense and rural broadband, which represent the primary vertical markets that the Company is initially targeting.

Basis of Presentation

The accompanying unaudited financial statements were prepared using generally accepted accounting principles for interim financial information and the instructions to Form 10-Q and Regulation S-X. Accordingly, these financial statements do not include all information or notes required by generally accepted accounting principles for annual financial statements and should be read together with the 2012 Financial Statements as filed on the Company's recent Registration Statement on Form S-1, declared effective by the U.S. Securities and Exchange Commission on July 18, 2013.

The preparation of financial statements in conformity with these accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements; and the reported amounts of expenses during the reported period. Ultimate results could differ from the estimates of management.

In the opinion of management, the unaudited financial statements included herein contain all adjustments necessary to present fairly the Company's financial position as of June 30, 2013 and the results of its operations and cash flows for the three and six months ended June 30, 2013 and 2012. Such adjustments are of a normal recurring nature. The results of operations for the three and six months ended June 30, 2013 may not be indicative of results for the full year.

Cash and Cash Equivalents

The Company considers all highly liquid instruments, with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents are stated at costs and consist of bank deposits.

Property and Equipment

Property, plant, and equipment are presented at cost at the date of acquisition. Depreciation is computed using the straight-line method over estimated useful asset lives, which range from three to seven years commencing the month following the purchase.

The cost of maintenance and repairs is charged to expense in the period incurred. Expenditures that increase the useful lives of assets are capitalized and depreciated over the remaining useful lives of the assets. When items are retired or disposed of, the cost and accumulated depreciation are removed from the accounts and any gain or loss is included in operations.

Inventory

Inventories are valued at the lower of cost or net realizable value determined on first-in-first out (“FIFO”) basis. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Costs in inventory are comprised of direct materials, direct labor and manufacturing overhead costs. The Company maintains a reserve for obsolescence and slow moving, defective or obsolete items as deemed necessary.

Long-Lived Assets

The Company's long-lived assets are reviewed for impairment in accordance with the guidance of ASC 360-10, “*Property, Plant, and Equipment*”, whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Recoverability of an asset to be held and used is measured by a comparison of the carrying amount of an asset to the future undiscounted cash flows expected to be generated by the asset. If such asset is considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds its fair value. During the six months ended June 30, 2013, no impairment losses were identified or recorded.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

Income taxes are accounted for under the asset and liability method as stipulated by ASC 740, "Accounting for Income Taxes". Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under ASC 740, the effect on deferred tax assets and liabilities or a change in tax rate is recognized in operations in the period that includes the enactment date. Deferred tax assets are reduced to estimated amounts to be realized by the use of the valuation allowance. A valuation allowance is applied when in management's view it is more likely than not (50%) that such deferred tax will not be utilized.

ASC 740 provides interpretative guidance for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. In the unlikely event that an uncertain tax position exists in which the Company could incur income taxes, the Company would evaluate whether there is a probability that the uncertain tax position taken would be sustained upon examination by the taxing authorities. A liability for uncertain tax positions would then be recorded if the Company determined it is more likely than not that a position would not be sustained upon examination or if a payment would have to be made to a taxing authority and the amount is reasonably estimable.

As of June 30, 2013, the Company does not believe any uncertain tax positions exist that would result in the Company having a liability to the taxing authorities. The Company's policy is to classify interest and penalties related to unrecognized tax benefits, if and when required, as part of interest expense and general and administrative expense, respectively, in the consolidated statement of operations. The Company's tax returns for the years ended 2010 through 2012 are subject to examination by the federal and state tax authorities.

Fair Value Measurements

The Company follows the provisions of ASC 820, "Fair Value Measurements and Disclosures." ASC 820 defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and enhances disclosures about fair value measurements.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Valuation techniques used to measure fair value, must maximize the use of observable inputs and minimize the use of unobservable inputs.

This standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value. The Company's assessment of the significance of a particular input to the fair value measurements requires judgment, and may affect the valuation of the assets and liabilities being measured and their placement within the fair value hierarchy.

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Financial Instruments

The Company's short-term financial instruments consist primarily of cash, inventory, accounts payable and accrued expenses. The carrying amount of debt, approximates fair value because current interest rates available to the Company for debt with similar terms and maturities are substantially the same. The other aforementioned financial instruments approximate fair value due to their short-term maturities.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting for Stock-based Compensation

The Company follows ASC 718, "Compensation – Stock Compensation", in accounting for its stock based compensation. This standard states that compensation cost is measured at the grant date based on the value of the award and is recognized over the service period, which is usually the vesting period.

The Company accounts for transactions in which services are received in exchange for equity instruments based on the fair value of such services received from non-employees, in accordance with ASC 505-50 "Equity Based Payments to Non-employees".

Concentration of Risk

The Company does not have any off-balance-sheet concentrations of credit risk. The Company expects cash to be the single asset most likely to subject the Company to concentration of credit risk. The Company's policy is to maintain its cash with high credit quality financial institutions to limit its risk of loss exposure.

As of June 30, 2013, the Company maintained its cash in two financial institutions. The Company's cash balances at June 30, 2013 and December 31, 2012 were fully insured. The Company has not experienced any losses in its bank accounts through June 30, 2013.

Intangible Assets

Capitalized software costs incurred in the research, design and development of software for sale to others as a separate product or embedded in a product and sold as part of the product as a whole are charged to expense until technological feasibility is established and amortized on a straight-line basis over five years, beginning when the products are offered for sale or the enhancements are integrated into the products.

Management is required to use its judgment in determining whether capitalized software costs meet the criteria for immediate expense or capitalization, in accordance with Generally Accepted Accounting Principles ("GAAP"). The unamortized capitalized costs of a computer software product are compared to the net realizable value of that product and any excess is written off.

The Company's proprietary software solutions operate in a fast changing industry that may generate unknown methods of detecting and monitoring disturbances that could render our technology inferior, resulting in the Company's results of operations being materially adversely affected. The Company does, however, closely monitor trends and changes in technologies and customer demand that could adversely impact its competitiveness and overall success. It is reasonably possible that those estimates of anticipated future gross revenues, the remaining estimated economic life of the product, or both will be reduced significantly in the near term due to competitive pressures. As a result, the carrying amount of the capitalized software costs for our products may be reduced materially in the near term.

Costs incurred for product enhancements are charged to expense as research and development until the technological feasibility of the enhancement has been established. These enhancements are amortized on a straight line basis over the useful life of the product enhancement which is currently estimated to be five years beginning when the enhancements are integrated into the products that are offered for sale.

Our software is inherently complex and may contain defects and errors that are only detectable when the products are in use. Such defects or errors could have a serious impact on our end customers, which could damage our reputation, harm our customer relationships and expose us to liability. Defects in our software could adversely affect our ability and that of our customers to ship products on a timely basis as well as customer or licensee demand for our products. Any such delays or declines in demand could reduce our revenues and harm our ability to achieve or sustain desired levels of profitability. We and our customers may also experience component or software failures or defects that could require significant product recalls, rework and/or repairs that are not covered by warranty reserves. The Company has entered into certain customer agreements that contain conditions including but not limited to Federal Communications Commission ("FCC") authorization of our products. The Company is currently pursuing obtaining FCC authorization on our products. Our intellectual property is embedded in proprietary software algorithms that offer cognitive spectrum access and interference mitigation solutions.

Patents and licenses are measured initially at purchase cost and are amortized on a straight line basis over their useful lives which range between 18.5 to 20 years.

NOTE 2 - GOING CONCERN

The financial statements have been prepared in conformity with generally accepted accounting principles which contemplate continuation of the Company as a going concern. As of June 30, 2013, the Company had negative working capital of approximately \$16,240,000 and an accumulated deficit of approximately \$131,863,000. This and other factors raise substantial doubt about the Company's ability to continue as a going concern.

On July 24, 2013, the Company closed its initial public offering for net proceeds to the Company after deducting underwriter discounts and offering expenses of \$6,750,673. On August 19, 2013, the Company closed an over-allotment option for net proceeds to the Company, after deducting underwriter discounts, of \$1,027,349. The Company believes that additional funding will be required to finance operations over the next twelve months in order to continue developing our product portfolio and commercialize our products for sale. As of August 29, 2013, the Company has a total backlog of \$35,400,000. The ability to recognize revenue and ultimately cash receipts, on the existing backlog is contingent upon, but not limited to, receiving FCC equipment authorization and acceptable performance of the delivered equipment and services. The Company currently estimates that it will begin to fulfill orders associated with its backlog in the second half of 2013. The ability of the Company to continue as a going concern is dependent upon its ability to raise additional capital and to fulfill its existing backlog. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result should the Company be unable to continue as a going concern.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>Useful Life</u>	<u>June 30, 2013</u>	<u>December 31, 2012</u>
Cost:			
Furniture and equipment	3 – 7 years	\$ 1,982,000	\$ 1,970,000
Hardware	4 – 5 years	2,486,000	2,486,000
		<u>4,468,000</u>	<u>4,456,000</u>
Accumulated depreciation:		<u>(2,908,000)</u>	<u>(2,731,000)</u>
Property and equipment, net		<u>\$ 1,560,000</u>	<u>\$ 1,725,000</u>

Depreciation and amortization expense amounted to approximately \$177,000 and \$163,000 for the six months ended June 30, 2013 and 2012, respectively.

NOTE 4 - INTANGIBLE ASSETS

Intangible assets consist of the following:

	Software Development Costs		Patents & Licenses		Total
	Costs	A.A.	Cost	A.A.	
Balance as of December 31, 2012	\$ 12,226,000	\$ (1,261,000)	\$ 12,272,000	\$ (5,629,000)	\$ 17,608,000
Additions	1,698,000	—	8,000	—	1,707,000
Impairments	—	—	—	—	—
Amortization	—	(383,000)	—	(310,000)	(693,000)
Balance as of June 30, 2013	\$ 13,924,000	\$ (1,643,000)	\$ 12,280,000	\$ (5,939,000)	\$ 18,622,000

The total cost basis of intangible assets at June 30, 2013 was \$26.2 million which consists of \$15.9 million of costs that are subject to amortization at June 30, 2013 and \$10.3 million of costs that are not subject to amortization at June 30, 2013.

Software Development Costs:

At June 30, 2013 the Company has capitalized a total of \$13.9 million of software development costs. Included in the capitalized costs is \$3.9 million of development costs related to the BSN 250 base station and the TX70 handset which allowed the Company to offer for sale its voice and spectrum access solutions during 2011 as evidenced by the sales to the U.S. Army. Also included in the capitalized costs is \$10.0 million of development costs related to the xAP, xMod and xMSC which will allow the Company to offer data and interference mitigation solutions that are not yet available for sale. Company recognized amortization of software development costs available for sale of \$0.4 million for both the six months ended June 30, 2013 and 2012. These costs are being amortized over a five year period.

Patents & Licenses:

At June 30, 2013 the Company has capitalized a total of \$12.3 million of patents & licenses. Included in the capitalized costs is \$12.0 million of costs associated with patents and licenses that have been filed. Also included in the capitalized costs is \$0.3 million of costs associated with provisional patents and pending applications which have not yet been filed.

The Company amortizes patents and licenses that have been filed over their useful lives which range between 18.5 to 20 years. The costs of provisional patents and pending applications is not amortized until the patent is filed and is reviewed each reporting period to determine if it is likely that the patent will be successfully filed. The Company recognized \$0.3 million of amortization expense related to patents and licenses for the six months ended June 30, 2013 and 2012.

Estimated amortization expense for the twelve-month periods ended June 30 as follows:

2014	\$ 1,400,000
2015	1,400,000
2016	1,400,000
2017	739,000
2018 and thereafter	3,406,000
	\$ 8,345,000

NOTE 5 - CONVERTIBLE NOTES PAYABLE

May 2011 Convertible Note

On May 19, 2011, the Company entered into a convertible promissory note (the "May 2011 Convertible Note") whereby the Company borrowed principal advances in the amount of up to \$15 million with MB Technology Holdings, LLC ("MBTH") (subject to increase by mutual agreement). The loan was payable on final maturity, May 19, 2016, or earlier demand, and was convertible, at MBTH's option, into shares of the Company at a price of \$26.25 per share. Interest was payable semi-annually in cash or shares, at the Company's option, at the rate of 8% per year. Additionally, a facility fee of 2% was payable by the Company at maturity. The loan facility was secured against substantially all of the assets of the Company.

NOTE 5 - CONVERTIBLE NOTES PAYABLE (continued)

As of December 31, 2012, the Company had drawn down \$17.2 million of principal balance under the May 2011 Convertible Note. The Company drew down an additional \$450,000 on the May 2011 Convertible Note with MBTH from January 1, 2013 through January 16, 2013 to finance operating activities of the Company. As of December 31, 2012 the Company had accrued interest and fees under the May 2011 Convertible Note of \$1.1 million and the Company accrued additional interest and fees of \$266,000 from January 1, 2013 through January 16, 2013.

On January 16, 2013, the Company entered into several agreements as part of negotiations to induce MBTH to convert \$15.0 million of the principal balance under the May 2011 Convertible Loan. As part of these negotiations, the Company entered into Amendment Number 1 to the May 2011 Convertible Loan Facility whereby the Company modified the conversion price on the May 2011 Convertible Loan from \$26.25 to \$13.30 (the "Modified Strike Price"). In addition, the Company agreed to issue MBTH 142,857 common shares upon the exercise in full of MBTH's conversion rights, termination of the May 2011 Shareholder Loan and the discharge of all MBTH's collateral over the Company's assets.

The Company agreed to modify the exercise price on two options representing 571,428 underlying common shares granted to MBTH under the February 2011 Convertible Loan from \$17.50 with respect to an option for 285,714 underlying shares and \$35.00 with respect to an option for 285,714 common shares to the Modified Strike Price of \$13.30. The Company also agreed to compensate MBTH for funding and other costs assumed by MBTH by issuing MBTH 16,474 common shares at the Modified Strike Price for the difference between the interest rate of 8% that the Company owed to MBTH under the May 2011 Convertible Loan and the interest rate of 9.5% that MBTH pays to investors for monies raised by MBTH.

The Company agreed to grant MBTH a warrant to subscribe for 42,857 common shares (the "42,857 Warrant") with an exercise price of \$0.35 per share. The 42,857 Warrant is contingent upon shareholders of MBTH electing to exercise a warrant issued to them by MBTH (the "MBTH Warrant") in xG Technology, Inc. common shares. If the MBTH shareholder elect not to exercise the MBTH Warrant or they elect to exercise a portion or all of the MBTH Warrant into shares of MBTH, a proportionate number of common shares under the 42,857 Warrant will be issued to MBTH.

The Company agreed to award MBTH an option for 142,857 common shares with an exercise price equal to \$8.75 per share.

On January 16, 2013, in consideration of the terms above, MBTH gave the Company notice to its intention to exercise the conversion rights on the 2011 Convertible Loan. On March 26, 2013, the Company issued 1,127,819 common shares to MBTH in consideration of the conversion rights under the May 2011 Convertible Note to convert the principal balance of \$15.0 million principal balance into common shares at \$13.30 per share, and 142,857 common shares were issued for the discharge of MBTH's collateral over the Company's assets. The additional consideration described above was considered an induced conversion of the 2011 Convertible Loan. The Company recorded debt inducement for the differential in the value of securities issued to the debt holder under the original terms compared to the value of securities issued to the debt holder under the amended terms. Additionally, the modification of options were accounted for as debt inducement based upon the valuation of the option immediately prior to the amendment compared to the value of the option with the amended terms. As a result of the modified terms, the Company recorded debt inducement of \$14.1 million during the six months ended June 30, 2013. The inducement was recorded as a reduction to additional paid in capital as MBTH is a related party.

The Company agreed to award MBTH a 3% cash success fee if MBTH arranges additional financing for the Company by a third party (other than the Bridge Loan as defined below) or arranges a merger, consolidation or sale by the Company of substantially all of the assets to a third party.

NOTE 5 - CONVERTIBLE NOTES PAYABLE (continued)

Bridge Loan

Under a subscription agreement and convertible promissory note (the "Bridge Loan") between the Company and MBTH dated January 16, 2013, MBTH committed to advance to the Company \$5 million as part of a new convertible bridge loan for up to an aggregate of \$10 million. The Bridge Loan was issued to refinance principal advances under the May 2011 Convertible Loan in excess of \$15 million, all accrued interest and fees under the May 2011 Convertible Loan and for general corporate purposes including; additional working capital and product development. On January 16, 2013, the Company refinanced principal of \$2,648,000 and accrued interest of fees of \$1,393,000 under the May 2011 Convertible Note for a beginning principal balance of \$4,041,000 under the Bridge Loan.

The Bridge Loan is for a term of one year and is convertible, at each loan note holder's option, into common shares at any time prior to final maturity at \$5.225 (95% of \$5.50, the price of the Company's initial public offering completed on July 19, 2013). Interest is payable at 20% per annum, semi-annually in cash or shares, at the option of each loan note holder. The Bridge Loan may be prepaid by the Company in whole (or in part), subject to payment of a minimum of six months' interest if prepaid within the first six months. The Company may redeem 50% of the Bridge Loan without prepayment penalty by forcing a conversion into shares, provided that the shares are marginable and freely tradable on a liquid exchange, and provided further that, if such forced conversion is effected within six months from the date of the Bridge Loan, then the Company shall pay six month's interest on the unpaid and unconverted principal balance of the Bridge Loan immediately before such forced conversion (such interest being payable in cash or shares, at the option of each loan note holder).

For every \$350 of principal amount of Bridge Loan advanced by a loan note holder, the loan note holder will be issued a warrant for one share with an exercise price of \$0.35 per share. The warrants are exercisable for a period of five years from issue. The Company recorded a debt discount of approximately \$336,000, against additional paid in capital to bifurcate the value ascribed to the warrant issued in combination with the Bridge Loan. See Note 9 -Equity. The debt discount will be accreted over the debt term of one year and resulted in accretion to interest expense of \$119,000 during the six months ended June 30, 2013.

From January 16, 2013 through June 30, 2013, the Company received additional principal advances of \$4,224,000 under the Bridge Loan for a total principal balance at June 30, 2013 of \$8,265,000. As of June 30, 2013, the outstanding principal loan balance of \$8,048,000, net of the \$217,000 debt discount, is reflected in the balance sheet as \$1,577,000 convertible bridge loan payable and \$6,471,000 convertible bridge loan payable to related party which is net of the debt discount).

The Company agreed to pay an origination fee of 5% to note holders five days after closing as defined in the Bridge Loan. The Company deferred the loan origination fee and will amortize it to interest expense on a straight line basis over the one year term of the debt agreement. The origination fee of \$413,000 and the interest accrual of \$569,000 are recorded under accrued interest and fees as of June 30, 2013 and are reflected in the balance sheet as \$79,000 accrued interest and fees and \$904,000 accrued interest and fees to related parties. During the six months ended June 30, 2013, the Company amortized \$152,000 of the loan origination fee included in other current assets (See Note 10 - Subsequent Events).

Treco

On October 6, 2011, the Company entered into a convertible promissory note (the "\$2 million Convertible Note") in favor of Treco International, S.A. ("Treco"), a related party, as part of the settlement compensation to Treco for terminating the infrastructure agreement. The \$2 million Convertible Note is payable on final maturity, October 6, 2018 and is convertible, at Treco's option, into common shares of the Company at a price of \$35.00 per share. Interest at the rate of 9% per year is payable semi-annually in cash or shares, at the Company's option. As of June 30, 2013, \$2 million of principal balance was outstanding under the \$2 million Convertible Note. The accrued interest at June 30, 2013 was \$42,000 and is reflected in the balance sheet as accrued interest and fees to related parties. By way of payment of interest that had accrued and was due May 1, 2013, we issued to Treco 6,923 new shares on May 7, 2013.

NOTE 6 - COMMITMENTS

The Company's office rental, deployment sites and warehouse facilities expenses aggregated approximately \$134,000 and \$122,000 of which approximately \$55,000 and \$80,000 was capitalized during the six months ended June 30, 2013 and 2012, respectively. The leases will expire on different dates from 2014 through 2016. Total minimum future annual rentals, exclusive of real estate taxes and related costs, are approximately as follows:

Twelve Months Ended June 30,	
2014	\$ 309,000
2015	307,000
2016	280,000
	<u>\$ 896,000</u>

NOTE 7 - RELATED PARTY TRANSACTIONS

MBTH

As of June 30, 2013 MBTH owned approximately 63% of the Company's outstanding shares, which represents a controlling interest. The Company has entered into convertible notes with MBTH refer to Note 5 — Convertible Notes Payable.

Effective July 1, 2011, by agreement of a committee of the Directors who did not own interests in MBTH, the Company entered into an arrangement with MBTH whereby MBTH assumed certain liabilities of the Company including certain payroll, management fees and other operating costs in the amount of \$250,000 per month for a period of twelve months. In consideration for this agreement, the Company issued MBTH 342,857 shares on June 23, 2011 at a price of \$8.75 per share for proceeds of \$3 million. On July 1, 2012 the agreement with MBTH to assume liabilities of the Company expired. From July 1, 2012 through the period ended June 30, 2013, MBTH paid additional liabilities on the behalf of the Company which are reflected in the due to related party balance in current liabilities on the balance sheet of \$2,316,000 at June 30, 2013 (inclusive of the \$1,218,000 liabilities assumed during the six months ended June 30, 2013).

Mooers Branton & Co. Incorporated

On March 2, 2006, the Company entered into a management agreement (the "Management Agreement") with Mooers Branton & Co. Incorporated ("MBC"), a Florida corporation, pursuant to which MBC agreed to provide certain management and financial services to the Company for a monthly fee of \$80,000. The Management Agreement was effective January 1, 2006. The Company incurred fees related to the Management Agreement of \$480,000 for the six months ended June 30, 2013 and 2012. MBC is beneficially controlled and operated by Rick Mooers and Roger Branton.

Treco

See Note 5 — Convertible Notes Payable.

NOTE 8 - CONTINGENCIES

The Company is subject, from time to time, to claims by third parties under various legal theories. The defense of such claims, or any adverse outcome relating to any such claims, could have a material adverse effect on the Company's liquidity, financial condition and cash flows. As of June 30, 2013, the Company did not have any legal actions pending.

NOTE 9 - EQUITY

Warrants

The Company has issued warrants and options outside of the equity incentive plans. A summary of the warrant and option activity is as follows:

	Number of Options/ Warrants (in Shares)	Weighted Average Exercise Price
Warrants Outstanding January 1, 2013	594,285	\$ 25.90
Granted	209,346	6.08
Exercised	—	—
Forfeited or Expired	—	—
Warrants Outstanding, June 30, 2013	<u>803,631</u>	<u>11.56</u>
Exercisable, June 30, 2013	<u>803,631</u>	<u>\$ 11.56</u>

For every \$350 of principal amount of Bridge Loan advanced by a loan note holder, the loan note holder was issued a warrant for one underlying share with an exercise price of \$0.35 per share. The warrants are exercisable for a period of five years from issue and are fully vested on the date of issuance. The warrants were issued in connection with the Bridge Loan and were recorded as a debt discount of \$336,000 against the Bridge Loan. The Company used the following weighted average assumptions in the Black Scholes model to calculate the fair value of the warrants:

	Six Months Ended June 30, 2013
Exercise price	\$ 0.35
Volatility	104.4%
Risk-free interest rate	0.68%
Expected dividend yield	0%
Expected term (years)	5.00

NOTE 9 - EQUITY (continued)

The risk-free rate is based on the rate for the U.S. Treasury note over the expected term of the warrants. The expected term is the full term of the warrant. Expected volatility is based on the average of the weekly share price changes over the shorter of the expected term or the period from the placement on AIM to the date of the grant.

The modification of the existing options with MBTH (refer to Note 6 — Convertible Notes Payable) was considered an induced conversion. The Company calculated the value of the options immediately prior to the amendment compared to the value of the option with the amended terms. The Company used the following assumptions in the Black Scholes Model to calculate the fair value of the warrants:

	January 16, 2013	
	Original Terms	Amended Terms
Exercise price	\$ 17.50	\$ 13.30
Volatility	140%	140%
Risk-free interest rate	0.27%	0.27%
Expected dividend yield	0%	0%
Expected term (years)	3	3

The Company agreed to award MBTH an option for 142,857 common shares with an exercise price equal to \$8.75 per share. The warrants are exercisable for a period of five years from issuance and are fully vested on the date of issuance. The Company used the following assumptions in the Black Scholes model to calculate the fair value of the warrants:

	January 16, 2013	
	Original Terms	Amended Terms
Exercise price	\$ 8.75	
Volatility	139.9%	
Risk-free interest rate	0.75%	
Expected dividend yield	0%	
Expected term (years)	5	

The Company agreed to award MBTH an option for 42,857 common shares with an exercise price equal to \$0.35 per share. The warrants are exercisable for a period of five years from issuance and are fully vested on the date of issuance. The Company used the following assumptions in the Black Scholes model to calculate the fair value of the warrants:

	January 16, 2013	
	Original Terms	Amended Terms
Exercise price	\$ 0.35	
Volatility	137.7%	
Risk-free interest rate	0.88%	
Expected dividend yield	0%	
Expected term (years)	5.00	

The risk-free rate is based on the rate for the U.S. Treasury note over the expected term of the warrants. The expected term is the full term of the warrant. Expected volatility is based on the average of the weekly share price changes over the shorter of the expected term or the period from the placement on AIM to the date of the grant.

NOTE 10 - SUBSEQUENT EVENTS

Bridge Loan

The Company drew down an additional \$80,000 on the Bridge Loan with MBTH and \$690,000 with the other non-related investors from July 1, 2013 through July 19, 2013 to finance operating activities of the Company for a total of \$6,768,000 with MBTH and \$2,267,300 with the other investors. Additionally, the Company accrued additional interest and fees of \$475,000 from July 1, 2013 through July 19, 2013.

On July 19, 2013, the Company exercised its right to force a conversion of 50% of the then outstanding principal balance under the Bridge Loan Agreement and received notification of intent to convert the remaining 50% of the principal balance under the Bridge Loan and all accrued interest and fees from MBTH and other non-related investors that investors holding a total principal balance under the Bridge Loan of \$8,910,000 and accrued interest and fees of approximately \$1,456,000.

On August 7, 2013, the Company repaid \$125,000 to a non-related investor for investment into the Bridge Loan.

On August 22, 2013, the Company refinanced approximately \$1,013,000 of liabilities previously paid by MBTH during 2013 on behalf of the Company through the Bridge Loan and incurred an origination fee of approximately \$50,000. The Company received notification from MBTH of their intent to convert the principal balance and accrued fees.

On August 22, 2013, the Company issued 2,187,529 common shares for the conversion of the balance of approximately \$11,429,000 in principal and accrued interest and fees at a price per share of \$5.225. Additionally, the Company issued warrants to purchase 1,093,778 underlying shares as additional consideration to the investors who exercised their conversion option. The warrants vested immediately and are exercisable into common shares at an exercise price of \$6.87 per share and have a term of five years from the date of issuance. The issuance of the warrants is considered an inducement to convert the Bridge Loan balance as the warrants were issued in addition to the common shares contractually required by the Bridge Loan Agreement. The Bridge Loan balance and accrued interest and fees was \$0 as of August 29, 2013.

Due to related party

From July 1, 2013 through August 29, 2013, MBTH paid additional liabilities on the behalf of the Company of approximately \$250,000, and the Company repaid MBTH \$370,000 for liabilities previously paid by MBTH on behalf of xG for a net decrease in the related party liability of \$120,000. On August 22, 2013, the Company refinanced \$1,013,000 of liabilities previously paid by MBTH on behalf of the Company under the Bridge Loan and converted the balance into common shares. The due to related party balance was \$1,183,000 as of August 29, 2013.

Initial public offering

On July 24, 2013, the Company closed its initial public offering of 1,337,792 shares of common stock, par value \$0.00001 per share, and 668,896 warrants to purchase 668,896 shares of common stock, at a purchase price to the public of \$5.50 per share and \$0.01 per warrant, for net proceeds to the Company, after deducting underwriter discounts and offering expenses, of \$6,750,673. The warrant is to purchase 1 share of our common stock and will have an exercise price of \$6.87 per share. The warrants are exercisable immediately and will expire five years from the date of issuance. The Company intends to use the offering for working capital and general corporate purposes. Feltl and Company and Aegis Capital Corp acted as joint underwriters for the offer.

Over-allotment Option

On August 19, 2013, the underwriters exercised in full their over-allotment option to purchase an additional 200,668 shares of common stock and 100,334 warrants to purchase 100,334 shares of common stock with an exercise price of \$6.87, at a purchase price to the public of \$5.50 per share and \$0.01 per warrant, for net proceeds to the Company, after deducting underwriter discounts, of \$1,027,349.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Cautionary Notice Regarding Forward Looking Statements

The information contained in Item 2 contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, (the “Securities Act”) and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Actual results may materially differ from those projected in the forward-looking statements as a result of certain risks and uncertainties set forth in this report. Although management believes that the assumptions made and expectations reflected in the forward-looking statements are reasonable, there is no assurance that the underlying assumptions will, in fact, prove to be correct or that actual results will not be different from expectations expressed in this report.

This filing contains a number of forward-looking statements which reflect management’s current views and expectations with respect to our business, strategies, products, future results and events, and financial performance. All statements made in this filing other than statements of historical fact, including statements addressing operating performance, events, or developments which management expects or anticipates will or may occur in the future, including statements related to distributor channels, volume growth, revenues, profitability, new products, adequacy of funds from operations, statements expressing general optimism about future operating results, and non-historical information, are forward looking statements. In particular, the words “believe,” “expect,” “intend,” “anticipate,” “estimate,” “may,” variations of such words, and similar expressions identify forward-looking statements, but are not the exclusive means of identifying such statements, and their absence does not mean that the statement is not forward-looking. These forward-looking statements are subject to certain risks and uncertainties, including those discussed below. Our actual results, performance or achievements could differ materially from historical results as well as those expressed in, anticipated, or implied by these forward-looking statements. We do not undertake any obligation to revise these forward-looking statements to reflect any future events or circumstances.

Readers should not place undue reliance on these forward-looking statements, which are based on management’s current expectations and projections about future events, are not guarantees of future performance, are subject to risks, uncertainties and assumptions (including those described below), and apply only as of the date of this filing. Our actual results, performance or achievements could differ materially from the results expressed in, or implied by, these forward-looking statements. Factors which could cause or contribute to such differences include, but are not limited to, the risks to be discussed in our initial Registration Statement on Form S-1, declared effective by the Securities and Exchange Commission on July 18, 2013 (“Form S-1”), and in the press releases and other communications to shareholders issued by us from time to time which attempt to advise interested parties of the risks and factors which may affect our business. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

The share numbers in the following discussion reflect a 1-for-25 reverse stock split that we effected March 24, 2013 as well as the 1-for-1.4 reverse stock split that we effected March 28, 2013.

Overview

xG Technology, Inc. (“xG”, the “Company”, “we”, “our”, “us”) has developed a broad portfolio of innovative intellectual property that we believe will enhance wireless communications. Our intellectual property is embedded in proprietary software algorithms that offer cognitive interference mitigation and spectrum access solutions.

Our strategy is initially to commercialize our intellectual property portfolio by developing and selling network equipment using our proprietary software algorithms to offer cognitive interference mitigation and spectrum access solutions. In the future, our strategy is for our intellectual property to be embedded by partners in a semiconductor chip that could be sold to third party equipment manufacturers and inserted in their devices and to license our intellectual property to other customers in vertical markets world-wide. Our technology roadmap currently projects this transition to begin in 2015.

The implementation of our cognitive radio intellectual property is xMax®. We believe the xMax® system, represents the only commercially available cognitive radio network system that is designed to include interference mitigation by spatial processing. xMax® implements our proprietary interference mitigation software that can increase capacity on already crowded airwaves by improving interference tolerance, enabling the delivery of a comparatively high Quality of Service where other technologies would not be able to cope with the interference.

We believe that the xMax® system will also, when in a future development operating on more than one radio channel, deliver dynamic spectrum access by scanning and finding unused or underused frequencies (unlicensed as well as licensed) and dynamically tuning to them, significantly increasing their usable capacity.

Our system is frequency agnostic although currently designed to operate within the 902 – 928 MHz license-free band. xMax® is intended to serve as a mobile voice over internet protocol (“VoIP”) and broadband data system that utilizes an end-to-end Internet Protocol (“IP”) system architecture. The xMax® product and service suite includes a line of access points, network bridges, mobile switching centers, network management systems, deployment tools, and customer support. The xMax® system will allow mobile operators to utilize free, unlicensed 902 – 928 MHz ISM band spectrum (which spectrum is available in most of the Americas) instead of purchasing scarce expensive licensed spectrum. Our xMax® system will also enable enterprises to set up a mobile communications network in an expeditious and cost effective manner. In addition, we believe that our xMax® cognitive radio technology can also be used to provide additional capacity to licensed spectrum by identifying and utilizing unused bandwidth within the licensed spectrum.

Plan of Operations

We are executing on our sales and marketing strategy and have entered into agreements both direct with end-customers as well as with indirect channel network partners. These customer engagements primarily relate to two of our target markets in rural telecommunications and defense. Together, they comprise commitments to purchase xMax® cognitive radio networking equipment, engineering services and other hardware worth approximately \$35.4 million.

In the second half of 2013, the Company intends to introduce a new product line that can handle both voice and data services. These new products are called xAP (base station) and the xMod which is able to communicate to any commercial off the shelf “COTS” device.

Results of Operations

Comparison for the three and six months ended June 30, 2013 and 2012

Revenues

The Company did not record any revenue for the comparative periods shown.

Cost of Revenue and Operating Expenses

General and Administrative Expenses

General and administrative expenses are the expenses of operating the business on a daily basis and include salary and benefit expenses and payroll taxes, as well as the costs of trade shows, marketing programs, promotional materials, professional services, facilities, general liability insurance, and travel. For the three and six months ended June 30, 2013 the Company incurred aggregate expense of \$1.2 million and \$2.5 million, respectively, compared to \$1.4 million and \$2.6 million, respectively, for the three and six months ended June 30, 2012, a decrease of \$0.2 million or 14% and \$0.1 million or 4%, respectively. The majority of this decrease is related to a decrease in consulting fees of \$0.2 million.

Development Expenses

Development expenses consist primarily of salary and benefit expenses and payroll taxes, as well as costs for prototypes, facilities and travel. Development expenses increased \$0.6 million, or 75%, from \$0.8 million in the three months ended June 30, 2012 to \$1.4 million in the three months ended June 30, 2013. Development expenses increased \$1.1 million or 58%, from \$1.9 million in the six months ended June 30, 2012 to \$3.0 million in the six months ended June 30, 2013. The increase is due to additional costs related to producing and testing equipment as the Company grows closer to launching its products.

Stock Based Compensation

Stock based compensation increased \$0.07 million, from \$0.13 million in the three months ended June 30, 2012 to \$0.20 million in the three months ended June 30, 2013. Stock based compensation increased \$0.23 million, from \$0.11 million in the six months ended June 30, 2012 to \$0.34 million in the six months ended June 30, 2013. The increase arose from the increase in the number of employees and directors of the Company who received option grants in fiscal 2013.

Amortization and Depreciation

Amortization and depreciation expenses decreased \$0.1 million, or 20%, from \$0.5 million in the three months ended June 30, 2012 to \$0.4 million in the three months ended June 30, 2013, and \$0.1 million, from \$1.0 million in the six months ended June 30, 2012 to \$0.9 million in the six months ended June 30, 2013. The decrease was primarily due to the decrease in the depreciation of our property and equipment as a portion of our assets became fully depreciated during 2012.

Other Expense

Other expense reflects interest expense (net of interest income) as discussed below:

Total interest expense for the three months ended June 30, 2013 was \$0.4 million compared to \$0.1 million for the three months ended June 30, 2012, an increase of \$0.3 million or 300%. Total interest expense for the six months ended June 30, 2013 was \$1.0 million compared to \$0.2 million for the six months ended June 30, 2012, an increase of \$0.8 million. The increase is attributable to the higher interest and fees incurred on the Bridge Loan for 2013 compared to the May 2011 Convertible note in 2012. Also the fee is being amortized over a shorter period of 1 year based on the contractual obligation of the Bridge Loan.

Net Loss

For the three months and six months ended June 30, 2013, the Company had a net loss of \$3.6 million and \$7.8 million, respectively, as compared to a net loss of \$3.0 million and \$5.9 million for the three and six months ended June 30, 2012, or an increase of \$0.6 million and \$1.9 million, respectively. The increase in net loss is due mainly to the increase in development expenses and interest expenses discussed above.

Liquidity and Capital Resources

Our operations primarily have been funded through cash generated by financing.

During the first half of 2012 and 2013, the Company relied upon additional investment through proceeds from the Bridge Loan and convertible notes payable. The Company had drawn down \$4.2 million under the Bridge Loan and \$0.5 million under the convertible notes payable to related party during the first half of 2013 compared to \$5.1 million under the convertible notes payable to related party during the first half of 2012.

In March 2012, the Company issued 11,428 of our shares at a price of \$35.00 per share for net proceeds of \$0.4 million. We used the proceeds for working capital purposes.

Initial Public Offering

On July 24, 2013, the Company closed its initial public offering of 1,337,792 shares of common stock, par value \$0.00001 per share, and 668,896 warrants to purchase 668,896 shares of common stock, at a purchase price to the public of \$5.50 per share and \$0.01 per warrant, for net proceeds to the Company, after deducting underwriter discounts and offering expenses, of \$6,750,673. The warrant is to purchase 1 share of our common stock and will have an exercise price of \$6.87 per share. The warrants are exercisable immediately and will expire five years from the date of issuance. The Company intends to use the offering for working capital and general corporate purposes. Feltl and Company and Aegis Capital Corp acted as joint underwriters for the offer.

Over-allotment Option

On August 19, 2013, the underwriters exercised in full their over-allotment option to purchase an additional 200,668 shares of common stock and 100,334 warrants to purchase 100,334 shares of common stock with an exercise price of \$6.87, at a purchase price to the public of \$5.50 per share and \$0.01 per warrant, for net proceeds to the Company, after deducting underwriter discounts, of \$1,027,349.

Bridge Loan

On August 7, 2013, the Company repaid \$125,000 to a non-related investor for investment into the Bridge Loan.

On August 22, 2013, the Company refinanced approximately \$1,013,000 of liabilities previously paid by MBTH during 2013 on behalf of the Company through the Bridge Loan and incurred an origination fee of approximately \$50,000. The Company received notification from MBTH of their intent to convert the principal balance and accrued fees.

On August 22, 2013, the Company issued 2,187,529 common shares for the conversion of the balance of approximately \$11,429,000 in principal and accrued interest and fees at a price per share of \$5.225. Additionally, the Company issued warrants to purchase 1,093,778 underlying shares as additional consideration to the investors who exercised their conversion option. The warrants vested immediately and are exercisable into common shares at an exercise price of \$6.87 per share and have a term of five years from the date of issuance. The issuance of the warrants is considered an inducement to convert the Bridge Loan balance as the warrants were issued in addition to the common shares contractually required by the Bridge Loan Agreement. The Bridge Loan balance and accrued interest and fees was \$0 as of August 29, 2013.

Cash Flows and Working Capital

To date, we have financed our operations primarily through the sale of equity and convertible debt. As of June 30, 2013, the Company has negative working capital of approximately \$16.2 million and \$25,000 of cash and cash equivalents.

As a means for financing our operations, on January 16, 2013 we entered into a convertible Bridge Loan with MBTH and other investors for the Company to borrow principal advances in the amount of up to \$10 million. As of June 30, 2013, \$8.0 million of principal balance was outstanding under the Bridge Loan. In August 2013, the Company converted \$11.4 million of principal, interest, and fees into 2,187,529 new shares. In August 2013, the Company repaid \$0.1 million, the remaining Bridge Loan balance.

In July 2013 the Company closed its initial public offering for net proceeds to the Company of \$6.8 million. In August 2013, the Company closed its over-allotment option for net proceeds to the Company of \$1.0 million.

We have incurred net losses of \$3.6 million and \$3.0 million in the three months ended June 30, 2013 and 2012, respectively. Additionally, we have incurred negative operating cash flows including cash used in operations of \$3.2 million and \$2.9 million in the six months ended June 30, 2013 and 2012, respectively.

Our future capital requirements may vary materially from those currently planned and will depend on many factors, including our rate of revenue growth, the timing and extent of spending to support development efforts, the timing of new product introductions, market acceptance of our products and overall economic conditions. The Company does not currently have sufficient capital in order to achieve cash flow breakeven. Therefore, the Company is actively evaluating various alternatives in order to obtain additional capital to allow the Company to deliver its products and fulfill its current backlog.

The following table sets forth the major components of our statements of cash flows data for the periods presented.

For the Six Month Period Ended (In Thousands)

	June 30, 2013	June 30, 2012
Cash flows used in Operations	\$ (3,201)	\$ (2,858)
Investing Activities	\$ (1,719)	\$ (2,510)
Financing Activities	\$ 4,674	\$ 5,517
Cash at end of period	\$ 25	\$ 282

Operating Activities

Net cash used in operating activities for the six months ended June 30, 2013 totaled \$3.2 million as compared to \$2.9 million for the six months ended June 30, 2012. The cash used in operating activities consisted principally of the net loss from operations.

Investing Activities

Net cash used in investing activities for the six months ended June 30, 2013 was \$1.7 million as compared to \$2.5 million for the six months ended June 30, 2012. The represents capital expenditures primarily associated with the investment in product and technology development and our patent portfolio.

Financing Activities

Our net cash provided by financing activities for the six months ended June 30, 2013 was \$4.7 million as compared to \$5.5 million for the six months ended June 30, 2012, which primarily consisted of proceeds from further advances under convertible promissory notes issued by the Company. Proceeds from convertible promissory notes issued to MBTH totaled \$0.5 million during the first half of 2013. Also MBTH converted their promissory note of \$15 million and issued additional proceeds of \$4.2 million under the Bridge Loan during the first half of 2013.

Off-Balance Sheet Arrangements

We do not currently have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to our stockholders.

Our company has not entered into any transaction, agreement or other contractual arrangement with an entity unconsolidated with us under which we have:

- o an obligation under a guarantee contract, although we do have obligations under certain sales arrangements including purchase obligations to vendors;
- o a retained or contingent interest in assets transferred to the unconsolidated entity or similar arrangement that serves as credit, liquidity or market risk support to such entity for such assets;
- o any obligation, including a contingent obligation, under a contract that would be accounted for as a derivative instrument,; or
- o any obligation, including a contingent obligation, arising out of a variable interest in an unconsolidated entity that is held by us and material to us where such entity provides financing, liquidity, market risk or credit risk support to, or engages in leasing, hedging or research and development services with us.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

As a smaller reporting company, as defined in Rule 12b-2 of the Exchange Act, we are not required to provide the information required by this Item.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that material information required to be disclosed in our periodic reports filed under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms and to ensure that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer as appropriate, to allow timely decisions regarding required disclosure. Our management, including our Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Financial Officer), does not expect that our disclosure controls and procedures will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our Company have been detected. These inherent limitations include, but are not limited to, the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

During the quarter ended June 30, 2013, we carried out an evaluation, under the supervision and with the participation of our management, including the principal executive officer and the principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rule 13(a)-15(e) under the Exchange Act. Based on this evaluation, because of the identification of a control deficiency described below, management concluded that as of June 30, 2013, our disclosure controls and procedures were not effective.

In conjunction with our recent initial public offering in the United States, which occurred in our current quarter, we recently switched over from financial reporting in IFRS to U.S. generally accepted accounting principles. Our management has identified a control deficiency regarding inadequate accounting resources due to the need to hire accounting personnel with the requisite knowledge of U.S. generally accepted accounting principles. We are in the process of hiring additional personnel with technical accounting expertise to further support our current accounting personnel and intend to have such personnel in place prior to the end our current quarter.

Management believes that the hiring of additional personnel who have the technical expertise and knowledge with the non-routine or technical issues we have previously encountered will result in both proper recording of these transactions and a more knowledgeable finance department as a whole. Additional personnel will also provide the cross training needed to support us if personnel turn over issues within the department occur. We believe this will greatly decrease any control and procedure issues we may encounter in the future.

Changes in Internal Controls

During the fiscal quarter ended June 30, 2013, there have been no changes in our internal control over financial reporting that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

PART II: OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we are a party to litigation and subject to claims incident to the ordinary course of business. Future litigation may be necessary to defend ourselves and our customers by determining the scope, enforceability and validity of third party proprietary rights or to establish our proprietary rights.

As of August 29, 2013, the Company does not have any litigation matters pending.

Item 1A. Risk Factors.

As a smaller reporting company, as defined in Rule 12b-2 of the Exchange Act, we are not required to provide the information required by this Item.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

On May 1, 2013, the Company issued 1,156 new shares to two employees as part remuneration for services. The issuances of the securities described above were deemed to be exempt from registration under the Securities Act in reliance on Section 4(a)(2) of the Securities Act or Rule 701 promulgated under Section 3(b) of the Securities Act. The recipients of securities in some but not all such transactions represented their intention to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof and appropriate legends were affixed to the stock certificates and option agreements issued in such transactions. All recipients had adequate access, through their relationships with us, to information about us.

On May 1, 2013, the Company issued 6,923 new shares for payment of interest on \$2 million promissory note to Treco at \$13.00 per each new share. The issuance was made in reliance upon exemptions from registration pursuant to Section 4(a)(2) under the Securities Act of 1933 and/or Rule 506 promulgated under Regulation D there under. The holders of the above securities are accredited investors as defined in Rule 501 of Regulation D promulgated under the Securities Act of 1933.

On August 22, 2013, the Company refinanced approximately \$1,013,000 of liabilities previously paid by MBTH during 2013 on behalf of the Company through the Bridge Loan and incurred an origination fee of approximately \$50,000. The Company received notification from MBTH of their intent to convert the principal balance and accrued fees.

On August 22, 2013, the Company issued 2,187,529 common shares for the conversion of the balance of approximately \$11,429,000 in principal and accrued interest and fees at a price per share of \$5.225. Additionally, the Company issued warrants to purchase 1,093,778 underlying shares as additional consideration to the investors who exercised their conversion option. The warrants vested immediately and are exercisable into common shares at an exercise price of \$6.87 and have a term of five years from the date of issuance. The issuance of the warrants is considered an inducement to convert the Bridge Loan balance as the warrants were issued in addition to the common shares contractually required by the Bridge Loan Agreement. The Bridge Loan balance and accrued interest and fees was \$0 as of August 29, 2013.

The issuances were made in reliance upon exemptions from registration pursuant to Section 4(a)(2) under the Securities Act of 1933 and/or Rule 506 promulgated under Regulation D there under. The holders of the above securities are accredited investors as defined in Rule 501 of Regulation D promulgated under the Securities Act of 1933.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

There have been no material changes to the procedures by which security holders may recommend nominees to our Board of Directors.

Item 6. Exhibits

Exhibit Number	Description
3.1*	Articles of Incorporation
3.2	Amended and Restated By-laws
31.1	Certification of Principal Executive Officer, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Financial Officer, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Principal Executive Officer, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Principal Financial Officer, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS *	XBRL Instance Document
101.SCH *	XBRL Taxonomy Schema
101.CAL *	XBRL Taxonomy Calculation Linkbase
101.DEF *	XBRL Taxonomy Definition Linkbase
101.LAB *	XBRL Taxonomy Label Linkbase
101.PRE *	XBRL Taxonomy Presentation Linkbase

In accordance with SEC Release 33-8238, Exhibits 32.1 and 32.2 are being furnished and not filed.

* Furnished by Amendment. XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

SIGNATURES

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

xG TECHNOLOGY, Inc.

Date: August 30, 2013

By: /s/ John C. Coleman
John C. Coleman
Chief Executive Officer
(Duly Authorized Officer and Principal Executive Officer)

Date: August 30, 2013

By: /s/ Roger G. Branton
Roger G. Branton
Chief Financial Officer
(Duly Authorized Officer and Principal Financial Officer)

EXHIBIT INDEX

Exhibit Number	Description
3.1*	Articles of Incorporation
3.2	Amended and Restated By-laws
31.1	Certification of Principal Executive Officer, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Financial Officer, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Principal Executive Officer, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Principal Financial Officer, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS *	XBRL Instance Document
101.SCH *	XBRL Taxonomy Schema
101.CAL *	XBRL Taxonomy Calculation Linkbase
101.DEF *	XBRL Taxonomy Definition Linkbase
101.LAB *	XBRL Taxonomy Label Linkbase
101.PRE *	XBRL Taxonomy Presentation Linkbase

In accordance with SEC Release 33-8238, Exhibits 32.1 and 32.2 are being furnished and not filed.

* Furnished by Amendment. XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

AMENDED AND RESTATED
BY-LAWS
OF
xG TECHNOLOGY, INC.
(a Delaware corporation)

ARTICLE I

Stockholders

Section 1.1. Annual Meetings. An annual meeting of stockholders shall be held for the election of directors at such date, time, and place, either within or without the State of Delaware, as may be designated by resolution of the Board of Directors from time to time. Any other proper business may be transacted at the annual meeting.

Section 1.2. Special Meetings. Special meetings of stockholders for any purpose or purposes may be called at any time by the Board of Directors, or by a committee of the Board of Directors that has been duly designated by the Board of Directors and whose powers and authority, as expressly provided in a resolution of the Board of Directors, include the power to call such meetings, but such special meetings may not be called by any other person or persons.

Section 1.3. Notice of Meetings. Whenever stockholders are required or permitted to take any action at a meeting, a written notice of the meeting shall be given that shall state the place, date and hour of the meeting and in the case of a special meeting, the purpose or purposes for which the meeting is called. Unless otherwise provided by law, the certificate of incorporation, or these by-laws, the written notice of any meeting shall be given not less than ten nor more than sixty days before the date of the meeting to each stockholder entitled to vote at such meeting. If mailed, such notice shall be deemed to be given when deposited in the United States mail, postage prepaid, directed to the stockholder at his address as it appears on the records of the corporation.

Section 1.4. Adjournments. Any meeting of stockholders, annual or special, may adjourn from time to time to reconvene at the same or some other place, and notice need not be given of any such adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting the corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Section 1.5. Quorum. Except as otherwise provided by law, the certificate of incorporation or these by-laws, at each meeting of stockholders the presence in person or by proxy of the holders of shares of stock having one-third of the votes which could be cast by the holders of all outstanding shares of stock entitled to vote at the meeting shall be necessary and sufficient to constitute a quorum. In the absence of a quorum, the stockholders so present may, by majority vote, adjourn the meeting from time to time in the manner provided in Section 1.4 of these by-laws until a quorum shall attend. Shares of its own stock belonging to the corporation or to another corporation, if a majority of the shares entitled to vote in the election of directors of such other corporation is held, directly or indirectly, by the corporation, shall neither be entitled to vote nor be counted for quorum purposes; provided, however, that the foregoing shall not limit the right of the corporation to vote stock, including but not limited to its own stock, held by it in a fiduciary capacity.

Section 1.6. Organization. Meetings of stockholders shall be presided over by the Chairman of the Board, if any, or in his absence by the Vice Chairman of the Board, if any, or in his absence by the President, or in his absence by a Vice President, or in the absence of the foregoing persons by a chairman designated by the Board of Directors, or in the absence of such designation by a chairman chosen at the meeting. The Secretary shall act as secretary of the meeting, but in his absence the chairman of the meeting may appoint any person to act as secretary of the meeting. The chairman of the meeting shall announce at the meeting of stockholders the date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote.

Section 1.7. Voting; Proxies. Except as otherwise provided by the certificate of incorporation, each stockholder entitled to vote at any meeting of stockholders shall be entitled to one vote for each share of stock held by him which has voting power upon the matter in question. Each stockholder entitled to vote at a meeting of stockholders or to express consent or dissent to corporate action in writing without a meeting may authorize another person or persons to act for him by proxy, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. A proxy shall be irrevocable if it states that it is irrevocable and if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power. A stockholder may revoke any proxy which is not irrevocable by attending the meeting and voting in person or by filing an instrument in writing revoking the proxy or by delivering a proxy in accordance with applicable law bearing a later date to the Secretary of the corporation. Voting at meetings of stockholders need not be by written ballot and, unless otherwise required by law, need not be conducted by inspectors of election unless so determined by the holders of shares of stock having a majority of the votes which could be cast by the holders of all outstanding shares of stock entitled to vote thereon which are present in person or by proxy at such meeting. At all meetings of stockholders for the election of directors a plurality of the votes cast shall be sufficient to elect. All other elections and questions shall, unless otherwise provided by law, the certificate of incorporation or these by-laws, be decided by the vote of the holders of shares of stock having a majority of the votes which could be cast by the holders of all shares of stock outstanding and entitled to vote thereon.

Section 1.8. Fixing Date for Determination of Stockholders of Record. In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors and which record date: (1) in the case of determination of stockholders entitled to vote at any meeting of stockholders or adjournment thereof, shall, unless otherwise required by law not be more than sixty nor less than ten days before the date of such meeting; (2) in the case of determination of stockholders entitled to express consent to corporate action in writing without a meeting, shall not be more than ten days from the date upon which the resolution fixing the record date is adopted by the Board of Directors; and (3) in the case of any other action, shall not be more than sixty days prior to such other action. If no record date is fixed: (1) the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day an which the meeting is held; (2) the record date for determining stockholders entitled to express consent to corporate action in writing without a meeting when no prior action of the Board of Directors is required by law, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the corporation in accordance with applicable law, or, if prior action by the Board of Directors is required by law, shall be at the close of business on the day on which the Board of Directors adopts the resolution taking such prior action; and (3) the record date for determining stockholder for any other purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

Section 1.9. List of Stockholders Entitled to Vote. The Secretary shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof and may be inspected by any stockholder who is present. Upon the willful neglect or refusal of the directors to produce such a list at any meeting for the election of directors, they shall be ineligible for election to any office at such meeting. The stock ledger shall be the only evidence as to who are the stockholders entitled to examine the stock ledger, the list of stockholders or the books of the corporation, or to vote in person or by proxy at any meeting of stockholders.

Section 1.10. Action By Consent of Stockholders. Unless otherwise restricted by the certificate of incorporation, any action required or permitted to be taken at any annual or special meeting of the stockholders may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted and shall be delivered (by hand or by certified or registered mail, return receipt requested) to the corporation by delivery to its registered office in the State of Delaware, its principal place of business, or an officer or agent of the corporation having custody of the book in which proceedings of minutes of stockholders are recorded. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing.

Section 1.11. Conduct of Meetings. The Board of Directors of the corporation may adopt by resolution such rules and regulations for the conduct of the meeting of stockholders as it shall deem appropriate. Except to the extent inconsistent with such rules and regulations as adopted by the Board of Directors, the chairman of any meeting of stockholders shall have the right and authority to prescribe such rules, regulations, and procedures and to do all such acts as, in the judgment of such chairman, are appropriate for the proper conduct of the meeting. Such rules, regulations or procedures, whether adopted by the Board of Directors or prescribed by the chairman of the meeting, may include, without limitation, the following: (i) the establishment of an agenda or order of business for the meeting; (ii) rules and procedures for maintaining order at the meeting and the safety of those present; (iii) limitations on attendance at or participation in the meeting to stockholders of record of the corporation, their duly authorized and constituted proxies or such other persons as the chairman of the meeting shall determine; (iv) restrictions on entry to the meeting after the time fixed for the commencement thereof, and (v) limitations on the time allowed to questions or comments by participants. Unless and to the extent determined by the Board of Directors or the chairman of the meeting, meetings of stockholders shall not be required to be held in accordance with the rules of parliamentary procedure.

ARTICLE II

Board of Directors

Section 2.1. Number; Qualifications. The Board of Directors shall consist of one or more members, the number thereof to be determined from time to time by resolution of the Board of Directors. Directors need not be stockholders.

Section 2.2. Election; Resignation; Removal; Vacancies. At the first annual meeting of stockholders and at each annual meeting thereafter, the stockholders shall elect directors each of whom shall hold office for a term of one year or until his successor is elected and qualified. Any director may resign at any time upon written notice to the corporation. Any newly created directorship or any vacancy occurring in the Board of Directors for any cause may be filled by a majority of the remaining members of the Board of Directors, although such majority is less than a quorum, or by a plurality of the votes cast at a meeting of stockholders, and each director so elected shall hold office until the expiration of the term of office of the director whom he has replaced or until his successor is elected and qualified.

Section 2.3. Regular Meetings. Regular meetings of the Board of Directors may be held at such places within or without the State of Delaware and at such times as the Board of Directors may from time to time determine, and if so determined notices thereof need not be given.

Section 2.4. Special Meetings. Special meetings of the Board of Directors may be held at any time or place within or without the State of Delaware whenever called by the President, any Vice President, the Secretary, or by any member of the Board of Directors. Notice of a special meeting of the Board of Directors shall be given by the person or persons calling the meeting at least twenty four hours before the special meeting.

Section 2.5. Telephonic Meetings Permitted. Members of the Board of Directors, or any committee designated by the Board of Directors, may participate in a meeting thereof by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this by-law shall constitute presence in person at such meeting.

Section 2.6. Quorum: Vote Required for Action. At all meetings of the Board of Directors a majority of the whole Board of Directors shall constitute a quorum for the transaction of business. Except in cases in which the certificate of incorporation or these by-laws otherwise provide, the vote of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

Section 2.7. Organization. Meetings of the Board of Directors shall be presided over by the Chairman of the Board, if any, or in his absence by the Vice Chairman of the Board, if any, or in his absence by the President, or in their absence by a chairman chosen at the meeting. The Secretary shall act as secretary of the meeting, but in his absence the chairman of the meeting may appoint any person to act as secretary of the meeting.

Section 2.8. Informal Action by Directors. Unless otherwise restricted by the certificate of incorporation or these by-laws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof, may be taken without a meeting if all members of the Board of Directors or such committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board of Directors or such committee.

ARTICLE III

Committees

Section 3.1. Committees. The Board of Directors may, by resolution passed by a majority of the whole Board of Directors, designate one or more committees, each committee to consist of one or more of the directors of the corporation. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of the committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in place of any such absent or disqualified member. Any such committee, to the extent permitted by law and to the extent provided in the resolution of the Board of Directors, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the corporation, and may authorize the seal of the corporation to be affixed to all papers which may require it.

Section 3.2. Committee Rules. Unless the Board of Directors otherwise provides, each committee designated by the Board of Directors may make, alter and repeal rules for the conduct of its business. In the absence of such rules each committee shall conduct its business in the same manner as the Board of Directors conducts its business pursuant to Article II of these by-laws.

ARTICLE IV

Officers

Section 4.1. Executive Officers; Election; Qualifications; Term of Office; Resignation; Removal; Vacancies. The Board of Directors shall elect a President and Secretary, and it may, if it so determines, choose a Chairman of the Board and a Vice Chairman of the Board from among its members. The Board of Directors may also choose a Chief Executive Officer, Chief Financial Officer, one or more Vice Presidents, one or more Assistant Secretaries, Treasurer, one or more Assistant Treasurers, or such other officers as the Board shall determine. Each such officer shall hold office until the first meeting of the Board of Directors after the annual meeting of stockholders next succeeding his election, and until his successor is elected and qualified or until his earlier resignation or removal. Any officer may resign at any time upon written notice to the corporation. The Board of Directors may remove any officer with or without cause at any time, but such removal shall be without prejudice to the contractual rights of such officer, if any, with the corporation. Any number of offices may be held by the same person. Any vacancy occurring in any office of the corporation by death, resignation, removal, or otherwise may be filled for the unexpired portion of the term by the Board of Directors at any regular or special meeting.

Section 4.2. Powers and Duties of Executive Officers. The officers of the corporation shall have such powers and duties in the management of the corporation as may be prescribed in a resolution by the Board of Directors and, to the extent not so provided, as generally pertain to their respective offices, subject to the control of the Board of Directors. The Board of Directors may require any officer, agent, or employee to give security for the faithful performance of his duties.

ARTICLE V

Stock

Section 5.1. Certificates. Every holder of stock shall be entitled to have a certificate signed by or in the name of the corporation by the Chairman or Vice Chairman of the Board of Directors, if any, or the President or a Vice President, and by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary, of the corporation certifying the number of shares owned by him in the corporation. Any of or all the signatures on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent, or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if he were such officer, transfer agent, or registrar at the date of issue.

Section 5.2. Lost, Stolen or Destroyed Stock Certificates; Issuance of New Certificates. The corporation may issue a new certificate of stock in the place of any certificate theretofore issued by it, alleged to have been lost, stolen or destroyed, and the corporation may require the owner of the lost, stolen or destroyed certificate, or his legal representative, to give the corporation a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate.

ARTICLE VI

Indemnification

Section 6.1. Right to Indemnification. Except to the extent that the General Corporation Law of Delaware prohibits the elimination or limitation of liability of directors for breaches of fiduciary duty, no director of the corporation shall be personally liable to the corporation or its stockholders for monetary damages for any breach of fiduciary duty as a director, notwithstanding any provision of law imposing such liability. No amendment to or repeal of this provision shall apply to or have any effect on the liability or alleged liability of any director of the corporation for or with respect to any acts or omissions of such director occurring prior to such amendment. The corporation shall indemnify and hold harmless, to the fullest extent permitted by applicable law as it presently exists or may hereafter be amended, any person who was or is made or is threatened to be made a party or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "proceeding") by reason of the fact that he, or a person for whom he is the legal representative, is or was a director or officer of the corporation or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust, enterprise or nonprofit entity, including service with respect to employee benefit plans, against all liability and loss suffered and expenses (including attorneys' fees) reasonably incurred by such person. The corporation shall be required to indemnify a person in connection with a proceeding (or part thereof) initiated by such person only if the proceeding (or part thereof) was authorized by the Board of Directors of the corporation.

Section 6.2. Actions, Suits and Proceedings Other than by or in the Right of the Corporation. The corporation shall indemnify each person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation), by reason of the fact that he is or was, or has agreed to become, a director or officer of the corporation, or is or was serving, or has agreed to serve, at the request of the corporation, as a director, officer or trustee of, or in a similar capacity with, another corporation, partnership, joint venture, trust or other enterprise (including any employee benefit plan) (all such persons being referred to hereafter as an "Indemnitee"), or by reason of any action alleged to have been taken or omitted in such capacity, against all expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him or on his behalf in connection with such action, suit or proceeding and any appeal therefrom, if he acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in, or not opposed to, the best interests of the corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful. Notwithstanding anything to the contrary in this Article, except as set forth in Section 6.8 below, the corporation shall not indemnify an Indemnitee seeking indemnification in connection with a proceeding (or part thereof) initiated by the Indemnitee unless the initiation thereof was approved by the Board of Directors of the corporation. Notwithstanding anything to the contrary in this Article, the corporation shall not indemnify an Indemnitee to the extent such Indemnitee is reimbursed from the proceeds of insurance, and in the event the corporation makes any indemnification payments to an Indemnitee and such Indemnitee is subsequently reimbursed from the proceeds of insurance, such Indemnitee shall promptly refund such indemnification payments to the corporation to the extent of such insurance reimbursement.

Section 6.3. Actions or Suits by or in the Right of the Corporation. The corporation shall indemnify any Indemnitee who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he is or was, or has agreed to become, a director or officer of the corporation, or is or was serving, or has agreed to serve, at the request of the corporation, as a director, officer or trustee of, or in a similar capacity with, another corporation, partnership, joint venture, trust or other enterprise (including any employee benefit plan), or by reason of any action alleged to have been taken or omitted in such capacity, against all expenses (including attorneys' fees) and, to the extent permitted by law, amounts paid in settlement actually and reasonably incurred by him or on his behalf in connection with such action, suit or proceeding and any appeal therefrom, if he acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of the corporation, except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery of Delaware shall determine upon application that, despite the adjudication of such liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses (including attorneys' fees) which the Court of Chancery of Delaware shall deem proper.

Section 6.4. Indemnification for Expenses of Successful Party. Notwithstanding the other provisions of this Article, to the extent that an Indemnitee has been successful, on the merits or otherwise, in defense of any action, suit or proceeding referred to in Sections 6.2 and 6.3 of this Article, or in defense of any claim, issue or matter therein, or on appeal from any such action, suit or proceeding, he shall be indemnified against all expenses (including attorneys' fees) actually and reasonably incurred by him or on his behalf in connection therewith. Without limiting the foregoing, if any action, suit or proceeding is disposed of, on the merits or otherwise (including a disposition without prejudice), without (i) the disposition being adverse to the Indemnitee, (ii) an adjudication that the Indemnitee was liable to the corporation, (iii) a plea of guilty or nolo contendere by the Indemnitee, (iv) an adjudication that the Indemnitee did not act in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and (v) with respect to any criminal proceeding, an adjudication that the Indemnitee had reasonable cause to believe his conduct was unlawful, the Indemnitee shall be considered for the purposes hereof to have been wholly successful with respect thereto.

Section 6.5. Notification and Defense of Claim. As a condition precedent to his right to be indemnified, the Indemnitee must notify the corporation in writing as soon as practicable of any action, suit, proceeding or investigation involving him for which indemnity will or could be sought. With respect to any action, suit, proceeding or investigation of which the corporation is so notified, the corporation will be entitled to participate therein at its own expense and/or to assume the defense thereof at its own expense, with legal counsel reasonably acceptable to the Indemnitee. After notice from the corporation to the Indemnitee of its election so to assume such defense, the corporation shall not be liable to the Indemnitee for any legal or other expenses subsequently incurred by the Indemnitee in connection with such claim, other than as provided below in this Section 6.5. The Indemnitee shall have the right to employ his own counsel in connection with such claim, but the fees and expenses of such counsel incurred after notice from the corporation of its assumption of the defense thereof shall be at the expense of the Indemnitee unless (i) the employment of counsel by the Indemnitee has been authorized by the corporation, (ii) counsel to the Indemnitee shall have reasonably concluded that there may be a conflict of interest or position on any significant issue between the corporation and the Indemnitee in the conduct of the defense of such action or (iii) the corporation shall not in fact have employed counsel to assume the defense of such action, in each of which cases the fees and expenses of counsel for the Indemnitee shall be at the expense of the corporation, except as otherwise expressly provided by this Article. The corporation shall not be entitled, without the consent of the Indemnitee, to assume the defense of any claim brought by or in the right of the corporation or as to which counsel for the Indemnitee shall have reasonably made the conclusion provided for in clause (ii) above.

Section 6.6. Advance of Expenses. Subject to the provisions of Section 6.7 below, in the event that the corporation does not assume the defense pursuant to Section 6.5 of this Article of any action, suit, proceeding or investigation of which the corporation receives notice under this Article, any expenses (including attorneys' fees) incurred by an Indemnitee in defending a civil or criminal action, suit, proceeding or investigation or any appeal therefrom shall be paid by the corporation in advance of the final disposition of such matter; provided, however, that the payment of such expenses incurred by an Indemnitee in advance of the final disposition of such matter shall be made only upon receipt of an undertaking by or on behalf of the Indemnitee to repay all amounts so advanced in the event that it shall ultimately be determined that the Indemnitee is not entitled to be indemnified by the corporation as authorized in this Article. Such undertaking shall be accepted without reference to the financial ability of the Indemnitee to make such repayment.

Section 6.7. Procedure for Indemnification. In order to obtain indemnification or advancement of expenses pursuant to Section 6.2, 6.3, 6.4, or 6.6 of this Article, the Indemnitee shall submit to the corporation a written request, including in such request such documentation and information as is reasonably available to the Indemnitee and is reasonably necessary to determine whether and to what extent the Indemnitee is entitled to indemnification or advancement of expenses. Any such indemnification or advancement of expenses shall be made promptly, and in any event within 60 days after receipt by the corporation of the written request of the Indemnitee, unless with respect to requests under Section 6.2, 6.3, or 6.6 the corporation determines within such 60-day period that the Indemnitee did not meet the applicable standard of conduct set forth in Section 6.2 or 6.3, as the case may be. Such determination shall be made in each instance by (a) a majority vote of the directors of the corporation consisting of persons who are not at that time parties to the action, suit or proceeding in question ("disinterested directors"), whether or not a quorum, (b) a majority vote of a quorum of the outstanding shares of stock of all classes entitled to vote for directors, voting as a single class, which quorum shall consist of stockholders who are not at that time parties to the action, suit or proceeding in question, (c) independent legal counsel (who may, to the extent permitted by law, be regular legal counsel to the corporation), or (d) a court of competent jurisdiction.

Section 6.8. Remedies. The right to indemnification or advances as granted by this Article shall be enforceable by the Indemnitee in any court of competent jurisdiction if the corporation denies such request, in whole or in part, or if no disposition thereof is made within the 60-day period referred to above in Section 6.7. Unless otherwise required by law, the burden of proving that the Indemnitee is not entitled to indemnification or advancement of expenses under this Article shall be on the corporation. Neither the failure of the corporation to have made a determination prior to the commencement of such action that indemnification is proper in the circumstances because the Indemnitee has met the applicable standard of conduct, nor an actual determination by the corporation pursuant to Section 6.7 that the Indemnitee has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the Indemnitee has not met the applicable standard of conduct. The Indemnitee's expenses (including attorneys' fees) incurred in connection with successfully establishing his right to indemnification, in whole or in part, in any such proceeding shall also be indemnified by the corporation.

Section 6.9. Subsequent Amendment. No amendment, termination or repeal of this Article or of the relevant provisions of the General Corporation Law of Delaware or any other applicable laws shall affect or diminish in any way the rights of any Indemnitee to indemnification under the provisions hereof with respect to any action, suit, proceeding or investigation arising out of or relating to any actions, transactions or facts occurring prior to the final adoption of such amendment, termination or repeal.

Section 6.10. Other Rights. The indemnification and advancement of expenses provided by this Article shall not be deemed exclusive of any other rights to which an Indemnitee seeking indemnification or advancement of expenses may be entitled under any law (common or statutory), agreement or vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in any other capacity while holding office for the corporation, and shall continue as to an Indemnitee who has ceased to be a director or officer, and shall inure to the benefit of the estate, heirs, executors and administrators of the Indemnitee. Nothing contained in this Article shall be deemed to prohibit, and the corporation is specifically authorized to enter into, agreements with officers and directors providing indemnification rights and procedures different from those set forth in this Article. In addition, the corporation may, to the extent authorized from time to time by its Board of Directors, grant indemnification rights to other employees or agents of the corporation or other persons serving the corporation and such rights may be equivalent to, or greater or less than, those set forth in this Article.

Section 6.11. Partial Indemnification. If an Indemnitee is entitled under any provision of this Article to indemnification by the corporation for some or a portion of the expenses (including attorneys' fees), judgments, fines or amounts paid in settlement actually and reasonably incurred by him or on his behalf in connection with any action, suit, proceeding or investigation and any appeal therefrom but not, however, for the total amount thereof, the corporation shall nevertheless indemnify the Indemnitee for the portion of such expenses (including attorneys' fees), judgments, fines or amounts paid in settlement to which the Indemnitee is entitled. The corporation's obligation, if any, to indemnify any person who was or is serving at its request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, enterprise or nonprofit entity shall be reduced by any amount such person may collect as indemnification from such other corporation, partnership, joint venture, trust, enterprise or nonprofit enterprise.

Section 6.12. Insurance. The corporation may purchase and maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the corporation or another corporation, partnership, joint venture, trust or other enterprise (including any employee benefit plan) against any expense, liability or loss incurred by him in any such capacity, or arising out of his status as such, whether or not the corporation would have the power to indemnify such person against such expense, liability or loss under the General Corporation Law of Delaware.

Section 6.13. Merger or Consolidation. If the corporation is merged into or consolidated with another corporation and the corporation is not the surviving corporation, the surviving corporation shall assume the obligations of the corporation under this Article with respect to any action, suit, proceeding or investigation arising out of or relating to any actions, transactions or facts occurring prior to the date of such merger or consolidation.

Section 6.14. Savings Clause. If this Article or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the corporation shall nevertheless indemnify each Indemnitee as to any expenses (including attorneys' fees), judgments, fines and amounts paid in settlement in connection with any action, suit, proceeding or investigation, whether civil, criminal or administrative, including an action by or in the right of the corporation, to the fullest extent permitted by any applicable portion of this Article that shall not have been invalidated and to the fullest extent permitted by applicable law.

Section 6.15. Definitions. Terms used herein and defined in Section 145(h) and Section 145(i) of the General Corporation Law of Delaware shall have the respective meanings assigned to such terms in such Section 145(h) and Section 145(i).

Section 6.16. Subsequent Legislation. If the General Corporation Law of Delaware is amended after adoption of this Article to expand further the indemnification permitted to Indemnitees, then the corporation shall indemnify such persons to the fullest extent permitted by the General Corporation Law of Delaware, as so amended.

ARTICLE VII

Miscellaneous

Section 7.1. Fiscal Year. The fiscal year of the corporation shall be determined by resolution of the Board of Directors.

Section 7.2. Seal. The corporate seal shall have the name of the corporation inscribed thereon and shall be in such form as may be approved from time to time by the Board of Directors.

Section 7.3. Waiver of Notice of Meetings of Stockholders, Directors and Committees. Any written waiver of notice, signed by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at nor the purpose of any regular or special meeting of the stockholders, directors, or members of a committee of directors need be specified in any written waiver of notice.

Section 7.4. Interested Directors: Quorum. No contract or transaction between the corporation and one or more of its directors or officers, or between the corporation and any other corporation, partnership, association, or other organization in which one or more of its directors or officers are directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the Board of Directors or committee thereof which authorizes the contract or transaction, or solely because his or their votes are counted for such purpose, if: (1) the material facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors or the committee, and the Board of Directors or committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; or (2) the material facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the stockholders; or (3) the contract or transaction is fair as to the corporation as of the time it is authorized, approved or ratified, by the Board of Directors, a committee thereof, or the stockholders. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes the contract or transaction.

Section 7.5. Form of Records. Any records maintained by the corporation in the regular course of its business, including its stock ledger, books of account, and minute books, may be kept on, or be in the form of, punch cards, magnetic tape, photographs, microphotographs, or any other information storage device, provided that the records so kept can be converted into clearly legible form within a reasonable time.

Section 7.6. Amendment of By-Laws. These by-laws may be altered or repealed and new by-laws made, by the Board of Directors, but the stockholders may make additional bylaws and may alter and repeal any by-laws whether adopted by them or otherwise.

/s/ Roger Branton
Roger Branton
Secretary
xG Technology, Inc.

July 18, 2013

**CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, John C. Coleman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of xG Technology, Inc. (the "registrant"):
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 registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) 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 registrant 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 registrant, 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 registrant'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 registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant'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 registrant'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 registrant's internal control over financial reporting.

Date: August 30, 2013

/s/ John C. Coleman
John C. Coleman
Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Roger G. Branton, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of xG Technology, Inc. (the “registrant”):
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 registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer(s) 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 13-a13a-15(f) and 15d-15(f)) for the registrant 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 registrant, 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 registrant’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 registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’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 registrant’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 registrant’s internal control over financial reporting.

Date: August 30, 2013

/s/ Roger G. Branton
Roger G. Branton
Chief Financial Officer
(Principal 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 xG Technology, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2013 (the "Report"), I, John C. Coleman, Chief Executive Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, 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 results of operations of the Company.

Date: August 30, 2013

/s/ John C. Coleman

John C. Coleman
Chief Executive Officer
(Principal Executive Officer)

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 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

**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 xG Technology, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2013 (the "Report"), I, Roger G. Branton, Chief Financial Officer of the Company, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, 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 results of operations of the Company.

Date: August 30, 2013

/s/ Roger G. Branton
Roger G. Branton
Chief Financial Officer
(Principal Financial Officer)

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 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.
