TESSCO TECHNOLOGIES INC
Form DEF 14A
June 17, 2004

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

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant ý

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement

o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

ý Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material Pursuant to §240.14a-12

TESSCO Technologies Incorporated

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

TESSCO Technologies Incorporated
11126 McCormick Road Hunt Valley, Maryland USA 21031

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON July 22, 2004

NOTICE IS HEREBY GIVEN that the 2004 Annual Meeting of Shareholders of TESSCO Technologies Incorporated, a Delaware corporation (the "Company"), will be held at our offices located at 375 West Padonia Road, Timonium, Maryland 21093 USA, on Thursday, July 22, 2004 at 9:00 a.m., local time, for the following purposes:

1. To elect two directors for a three-year term ending at the Annual Meeting of Shareholders to be held in 2007 and until their respective successors are duly elected and qualify.

2. To approve the readoption of the Company's 1994 Stock and Incentive Plan (the "1994 Plan") and the extension of the date which awards may be granted under the 1994 Plan to July 22, 2009.

3. To ratify the appointment of Ernst & Young LLP as the Company's independent public accountants for fiscal year 2005.

4. To act upon any other matter which may properly come before the Annual Meeting or any adjournment or postponement thereof.

The Board of Directors of the Company has fixed the close of business on June 1, 2004 as the record date for determining shareholders of the Company entitled to notice of and to vote at the Annual Meeting. A list of shareholders as of the record date will be available for inspection at the Company's corporate headquarters during business hours for a period of ten days before the Annual Meeting.

The primary purpose of the 2004 annual meeting will be to tabulate the votes cast on the above matters. It is not anticipated that any other business will be conducted at that time.

We invite your attention to the attached Proxy Statement and to the enclosed Annual Report of the Company for the fiscal year ended March 28, 2004.

By Order of the Board of Directors,

David M. Young
Corporate Secretary

Hunt Valley, Maryland
June 17, 2004

EVEN IF YOU PLAN TO ATTEND THE MEETING, PLEASE COMPLETE, SIGN AND DATE THE ENCLOSED PROXY AND RETURN IT PROMPTLY IN THE ENVELOPE PROVIDED. IF YOU ATTEND THE MEETING, YOU MAY REVOKE YOUR PROXY AND VOTE IN PERSON.

TESSCO Technologies Incorporated
11126 McCormick Road
Hunt Valley, Maryland USA 21031

PROXY STATEMENT

INTRODUCTION

General

This Proxy Statement is furnished to shareholders of TESSCO Technologies Incorporated, a Delaware corporation (the "Company"), in connection with the solicitation by the Board of Directors of the Company of proxies for use at the Annual Meeting of Shareholders to be held at our offices located at 375 West Padonia Road, Timonium, Maryland 21093, on Thursday, July 22, 2004 at 9:00 a.m., local time, and at any adjournment or postponement thereof.

Solicitation

The solicitation of proxies is being made primarily by mail, but directors, officers, employees, and contractors retained by the Company may also engage in the solicitation of proxies by telephone. The cost of soliciting proxies will be borne by the Company. The Company has retained the services of Innisfree M&A Incorporated to assist in the solicitation of proxies at a cost to the Company not to exceed $6,500. In addition, the Company may reimburse brokers, custodians, nominees and other record holders for their reasonable out-of-pocket expenses in forwarding proxy material to beneficial owners.

This Proxy Statement and the accompanying form of proxy are being sent to shareholders on or about June 18, 2004.

Voting Rights and Outstanding Shares

The Board of Directors of the Company has fixed the close of business on June 1, 2004 as the record date for determining the shareholders of the Company entitled to notice of and to vote at the Annual Meeting. On the record date, 4,440,888 shares of Common Stock, $0.01 par value per share, of the Company were issued and outstanding. Each share of Common Stock entitles the holder to one vote on each matter to be voted on at the Annual Meeting. There is no cumulative voting for the election of directors.

The presence, in person or by proxy, of at least a majority of the total number of shares of Common Stock entitled to vote is necessary to constitute a quorum at the Annual Meeting. In the event there are not sufficient votes for a quorum or to approve any proposal at the Annual Meeting, the Annual Meeting may be adjourned in order to permit the further solicitation of proxies.

Your vote is important. Because most of our shareholders cannot attend the Annual Meeting in person, it is necessary for a large number to be represented by proxy. Most shareholders have a choice of voting over the Internet, by using a toll-free telephone number or by completing a proxy card and mailing it in the postage-paid envelope provided. Please check your proxy card or the information forwarded by your bank, broker or other holder of record to see what options are available to you. If you vote by proxy over the Internet, please be aware that you may incur costs such as telecommunication and Internet access costs for which you may be responsible. The Internet and telephone proxy vote facilities for shareholders of record will close at 11:00 p.m. Eastern Daylight Time on the business day prior to the Annual Meeting day.

A shareholder may, with respect to the election of directors, (i) vote "FOR" the election of the named director nominees, (ii) "WITHHOLD AUTHORITY" to vote for all named director nominees, or (iii) vote for the election of all director nominees other than any nominee with respect to whom the shareholder withholds authority to vote. A shareholder may, with respect to each other matter specified in the notice of meeting, (i) vote "FOR" the matter, (ii) vote "AGAINST" the matter, or (iii) "ABSTAIN" from voting on the matter.

All shares of Common Stock entitled to vote and represented by properly submitted proxies received prior to the Annual Meeting and not revoked, will be voted in accordance with your instructions. If no instructions are indicated, the shares of Common Stock represented by a properly submitted proxy will be voted "FOR" the election of the named director nominees, "FOR" the readoption and extension of the 1994 Plan, and "FOR" the ratification of the appointment of Ernst & Young LLP as the Company's independent public accountants.

A proxy submitted by a shareholder may indicate that all or a portion of the shares represented by the proxy are not being voted by the shareholder with respect to a particular matter. This could occur, for example, when a broker is not permitted to vote Common Stock held in street name on certain matters in the absence of instructions from the beneficial owner of the Common Stock. These "nonvoted shares," i.e., shares subject to a proxy which are not being voted with respect to a particular matter, will be considered shares not present and entitled to vote on such matter, although these shares may be considered present and entitled to vote for other purposes and will count for purposes of determining the presence of a quorum.

Revocation of Proxies

A proxy may be revoked at any time before its exercise by the filing of a written revocation with David M. Young, Corporate Secretary of the Company, by timely providing a later-dated proxy (including by Internet or telephone vote), or by voting by ballot at the Annual Meeting. Mere attendance at the Annual Meeting will not revoke a proxy, and if you are a beneficial owner of shares not registered in your own name, you will need additional documentation from your record holder to vote personally at the Annual Meeting.

Required Vote

The affirmative vote of a plurality of the shares of Common Stock present in person or by proxy at the Annual Meeting and entitled to vote on the election of directors is required to elect directors. Accordingly, if a quorum is present at the Annual Meeting, the two persons receiving the greatest number of votes will be elected to serve as directors. Therefore, assuming the presence of a quorum at the Annual Meeting and that no additional nominees are nominated, withholding authority to vote for a director(s) and "nonvoted shares" with respect to the election of directors will not affect the outcome of the election of directors.

The affirmative vote of a majority of the shares of Common Stock present in person or by proxy at the Annual Meeting and entitled to vote thereon is required to approve each matter other than the election of directors. Under Delaware law, abstentions with respect to matters other than the election of directors are generally considered as shares present and entitled to vote and thus have the same effect as a vote against such matter. "Nonvoted shares" with respect to such a matter will not be considered as entitled to vote on the matter and thus will not affect the determination of whether the matter is approved.

The Board of Directors knows of no additional matters that will be presented for consideration at the Annual Meeting. Submission of a proxy, however, confers on the designated proxy, the authority to vote the shares in accordance with their discretion on such other business, if any, as may properly come before the Annual Meeting or any adjournment thereof. In the event that sufficient votes in favor of any proposal set forth in the Notice of Annual Meeting are not received by July 22, 2004, the persons named as proxies on the enclosed proxy card may propose one or more adjournments of the meeting, and will have discretionary authority to vote the shares represented by proxies in respect of any such adjournment proposal. Proxies solicited by means of this proxy statement will be tabulated by inspectors of election designated by the Board, who will not be employees or directors of the Company or any of its affiliates.

PROPOSAL 1. Election of Directors

The Company's Board of Directors is divided into three classes, each class consisting, as nearly as possible, of one-third of the total number of directors, and each class having a three-year term. Each year the directors in one class are elected to serve for a term of three years. The Board of Directors is currently composed of seven members. One class of directors, consisting of Jerome C. Eppler and Dennis J. Shaughnessy, has a term of office expiring at the Annual Meeting and until their successors are elected and qualified. Messrs. Eppler and Shaughnessy have each been nominated by the Board of Directors for re-election to serve for a three-year term expiring at the Annual Meeting of Shareholders in 2007 and until their successors are elected and qualified. In the event that either nominee is unable or unwilling to serve, the persons named in the proxy will vote for such substitute nominee or nominees as they, in their discretion, shall determine. The Board of Directors has no reason to believe that any nominee named herein will be unable or unwilling to serve.

The Board of Directors recommends a vote "FOR" the election of the named director nominees.

Set forth below is information concerning the nominees for election and those directors whose terms continue beyond the date of the Annual Meeting.

Nominees for Director for a Three-Year Term Expiring at the 2007 Annual Meeting

Jerome C. Eppler, age 80, has been a director of the Company since 1985. He is the owner of Eppler & Company, a private financial advisor and also currently serves as Chairman of the World Advisory Council for the Colorado State University School of Business, Fort Collins, Colorado.

Dennis J. Shaughnessy, age 57, has been a director of the Company since 1989. He is a General Partner of the Grotech Capital Group, which manages approximately $1 billion in venture capital funds. Prior to joining Grotech, Mr. Shaughnessy had been President and CEO of CRI International, an international petroleum refining service business. Prior to joining CRI International, Mr. Shaughnessy was Senior Vice President of Mercantile Bank. Mr. Shaughnessy also currently serves on the Board of FTI Consulting, Inc.

Directors Continuing in Office

Directors whose term will expire at the 2005 Annual Meeting:

Robert B. Barnhill, Jr., age 60, has served as President and Chief Executive Officer of the Company since founding the business in its current form, in 1982. Mr. Barnhill has been a director of the Company since 1982, and has been Chairman of the Board since November 1993.

Benn R. Konsynski, Ph.D., age 53, has been a director of the Company since November 1993. He is the George S. Craft Professor of Business Administration for Decision and Information Analysis at the Goizueta Business School of Emory University. He was named Hewlett Fellow at the Carter Center in 1995. Prior to arriving at the Goizueta Business School, he was on the faculty at the Harvard Business School for seven years where he taught in the MBA program and several executive programs. Professor Konsynski specializes in issues of digital commerce and information technology in relationships across organizations.

Directors whose term will expire at the 2006 Annual Meeting:

John D. Beletic, age 52, has been a director of the Company since July 1999. Since July 2002, he has served as a venture partner with Oak Investment Partners, a venture capital firm. In addition, Mr. Beletic serves on the Boards of iPass, Inc. (Nasdaq: IPAS), Fiber Tower, STSN and Aventail, Inc. He is also on the advisory board of Data Return. From August 1994 until December 2001, he served as Chairman and Chief Executive Officer of WebLink Wireless, Inc. WebLink Wireless, Inc. filed for voluntary bankruptcy protection in May 2001. Prior to 2001, he was President and CEO of Tigon which was acquired by Ameritech.

Daniel Okrent, age 56, has been a director of the Company since January 2004. He is currently serving as public editor of the New York Times. Prior to his position with the New York Times, he was editor-at-large of Time, Inc. where he was also editor of new media and managing editor of LIFE magazine. Mr. Okrent currently serves on the boards of Zinio Systems, Inc., a company that transforms print magazines into digital format, and formerly served on the board of Lands' End.

Morton F. Zifferer, Jr., age 56, has been a director of the Company since November 1993. He has served as Chairman and CEO of New Standard Corporation, a metal products manufacturer, since 1983. Mr. Zifferer and New Standard Corporation have partnered with several Fortune 500 companies globally to implement and execute lean manufacturing techniques and practices.

Board Independence

The Board has determined that each of the current directors, other than Mr. Barnhill, are independent within the meaning of the Company's director independence standards, which reflect both The Nasdaq National Market and Securities and Exchange Commission director independence standards, as currently in effect. Furthermore, the Board has determined that none of the members of the three standing committees of the Board of Directors has any material relationship with the Company (either directly or as a partner, stockholder or officer of an organization that has a relationship with the Company) and is "independent" within the meaning of our independence standards.

Meetings and Committees of the Board of Directors

The Board of Directors has an Audit Committee, a Compensation Committee and a Nominating Committee. The membership during the last fiscal year and the function of each of the committees is described below. The Board of Directors met six (6) times during fiscal 2004. During fiscal 2004, no director attended fewer than 75% of the total number of meetings of the Board held while he was a director, or Committee meetings held while he was a member. The Company does not have a policy on director attendance at Annual Meetings but all of our directors are invited and encouraged to attend the Annual Meetings. All of our then six directors were in attendance at the 2003 Annual Meeting.

Board Committee Membership

Director	**Audit Committee**	**Compensation Committee**	**Nominating Committee**
Jerome C. Eppler	X		X
Benn R. Konsynski	X		X
Morton F. Zifferer	X	X	
John D. Beletic		X	
Dennis J. Shaughnessy		X	X

Daniel Okrent became a director in January 2004, and his committee membership will be determined at the July 2004 board meeting.

Audit Committee

The Audit Committee is primarily concerned with the effectiveness of the audits of the Company by the Company's independent auditors. Its duties include approving the selection of independent auditors, reviewing the scope of audits conducted by them, as well as the results of their audits, and reviewing the organization and scope of the Company's internal system of accounting and financial controls. The Audit Committee met five (5) times during fiscal 2004. The current charter of the Audit Committee is attached to this proxy statement as Appendix B and is available on our Web site (*http://www.tessco.com*), under the heading "Corporate." The Board of Directors has determined that Mr. Zifferer is the audit committee financial expert as defined by applicable SEC rules.

Compensation Committee

The Compensation Committee provides assistance to the members of the Board of Directors in fulfilling their responsibilities to the shareholders, potential shareholders and the investment community relating to compensation practices of the Company, including salary and other forms of compensation. The Compensation Committee's primary duties and responsibilities are to formulate and recommend compensation policies of the Company that will enable the Company to attract and retain high-quality leadership and that are consistent with the Company's established compensation philosophy. The Compensation Committee met seven (7) times during fiscal 2004. The current charter of the Compensation Committee is attached to this Proxy Statement as Appendix C and is available on our Web site (*http://www.tessco.com*), under the heading "Corporate."

Nominating Committee

The Company has a Nominating Committee, the functions of which include making recommendations to the Board regarding matters and practices concerning the Board, its committees and individual directors; evaluation of the current composition and governance structure of the Board of Directors and determination of its future requirements; making recommendations concerning nominees for election to the Board of Directors; and the appointment of Directors to Board Committees and the selection of Chairpersons of the Board Committees. The Nominating Committee met four (4) times during fiscal 2004. The Committee performs other related functions and is governed by a charter, a current copy of which is attached to this Proxy Statement as Appendix D and is available on our Web site (http://www.tessco.com) under the heading "Corporate."

The Committee believes that the minimum qualifications for serving as a director of the Company are that a nominee demonstrate an ability to make a meaningful contribution to the Board's oversight of the business and affairs of the Company and have an impeccable record and reputation for honest and ethical conduct in both his or her professional and personal activities. The Committee also examines a candidate's specific experiences and skills, time availability, potential conflicts of interest and independence from management and the Company. Candidates may be identified through various means including by asking current directors and executive officers to notify the Committee if they become aware of persons meeting the criteria described above, by the retention of third party consultants to assist in this process, and by considering director candidates recommended by shareholders. In considering candidates submitted by shareholders, the Committee will take into consideration the needs of the Board and the qualifications of the candidate. The Committee may also take into consideration other factors it determines to be relevant, such as the number of shares held by the recommending shareholder and the length of time that such shares have been held. To have a candidate considered by the Committee, a shareholder must submit the recommendation in writing and must include the name of the shareholder and evidence of the person's ownership of Company stock, including the number of shares owned and the length of time of ownership, and the name of the candidate, the candidate's resume or a listing of his or her qualifications to be a director of the Company and the person's consent to be named as a director if selected and nominated. The shareholder recommendation and information must be sent to the Corporate Secretary at 11126 McCormick Road, Hunt Valley, Maryland 21031 USA. Once a potential candidate has been identified, the Committee may collect and review information regarding the candidate to assess whether the person should be considered further. If the Committee determines that the candidate warrants further consideration, personal contact with the candidate may be made and further review of the candidate's accomplishments, qualifications and willingness to serve may be undertaken and compared to other candidates. The Committee's evaluation process does not vary based on whether or not a candidate is recommended by a shareholder, although, as stated above, the Board may take into consideration other factors, such as the number of shares held by the recommending shareholder and the length of time that such shares have been held.

Shareholder Communications with Directors

The Board of Directors recommends that stockholders initiate any communications with the Board in writing and send them in care of the Corporate Secretary. Stockholders can send communications by e-mail to *corporatesecretary@tessco.com*, or by fax to (410) 229-1669 or by mail to Corporate Secretary, TESSCO Technologies Incorporated, 11126 McCormick Road, Hunt Valley, Maryland 21031. This centralized process will assist the Board in reviewing and responding to stockholder communications in an appropriate manner. The name of any specific intended Board recipient should be noted in the communication. The Board has instructed the Corporate Secretary to forward such correspondence only to the intended recipients; however, the Board has also instructed the Corporate Secretary, prior to forwarding any correspondence, to review such correspondence and, in his discretion, not to forward certain items if they are deemed of a commercial or frivolous nature or otherwise inappropriate for the Board's consideration. In such cases, some of that correspondence may be forwarded elsewhere in the Company for review and possible response.

Director Compensation

In consideration for services on the Board, each nonemployee Director of the Company is paid $25,000 per fiscal year plus $2,500 for each meeting of the Board and $1,000 for each meeting of a Committee of the Board that he attends. Each Director is also separately reimbursed for reasonable out-of-pocket expenses incurred in connection with his attendance at Board or Committee meetings. Directors are also eligible for awards under the Company's 1994 Stock and Incentive Plan, although no awards were made to nonemployee directors during fiscal year 2004.

PROPOSAL 2. To approve the readoption of the 1994 Stock and Incentive Plan and the extension of the date through which awards may be granted under the 1994 Plan to July 22, 2009.

The 1994 Plan, as previously approved by the shareholders, allowed for awards to be granted through April 12, 2004. The Board of Directors is now seeking shareholder approval of the readoption and extension of the 1994 Plan, to allow for grants of awards through July 22, 2009. A copy of the proposal to be submitted for shareholder approval at the annual meeting is attached to this Proxy Statement as Appendix E.

The Board of Directors believes that granting equity compensation awards more closely aligns a recipient's interest with the Company's performance and creating shareholder value. Unless the shareholders approve extending the date through which awards may be granted under the 1994 Plan, the Board of Directors believes that the Company's ongoing executive recruitment, retention, and motivation efforts will be significantly impaired.

Summary. The purpose of the 1994 Plan is to attract, retain and motivate outstanding employees and other key personnel, including directors, through the incentives of stock ownership and stock based monetary compensation. The Company provides these incentives through the grant or award of stock options, stock appreciation rights (SARs), restricted stock, restricted stock units and other "performance awards," which may or may not be denominated in shares of Common Stock or other securities of the Company. Stock options granted under the 1994 Plan may be either "incentive stock options" (ISOs) as defined in Section 422 of the Internal Revenue Code of 1986 or so-called nonqualified options. The 1994 Plan is administered by the Compensation Committee of the Board of Directors, which has authority to designate participants, determine the types of awards, the number of shares to be covered by those awards, and any other terms and conditions of those awards, including vesting requirements.

Performance Stock Unit Award Program. In April 2004, consistent with the current compensation philosophy, which focuses on the grant of awards that are earned or vest on the basis of performance measures other than stock price, the Compensation Committee, with the approval of the Board of Directors, established a Performance Stock Unit Award Program which is designed to align all efforts of recipients toward driving earnings and shareholder value. Under this program, Performance Stock Units, or PSUs, are available to selected individuals. Each PSU entitles the recipient to earn one share of common stock, but only after earnings per share (EPS), and for employee participants, individual performance targets are met over a defined performance cycle. Once earned, shares vest and are issued over a period of years, provided that the recipient remains associated with the Company until the respective share issuance dates. Earnings per share targets, which take into account the earnings impact of the program, are set in advance for the complete performance cycle by the Compensation Committee, and approved by the Board of Directors, at levels determined to be necessary to drive shareholder value.

On April 9, 2004, Performance Stock Units were granted to 41 individuals, including nonemployee directors. The shares covered by these awards can be earned based on a three-year performance cycle consisting of the fiscal years ending in March 2005, 2006 and 2007. The earnings per share targets have been set at levels that represent continual increases in EPS, after the projected impact of these grants, over the next three fiscal years. An internal fiscal 2005 threshold EPS target of $1.02, and a goal target of $1.57 were established for purposes of the Performance Stock Units issued in April 2004 (EPS for years 2006 and 2007 have also been set and represent continued increases). These targets include the projected impact of the share issuances on EPS. These targets were established only for internal purposes relative to the administration of the PSUs granted in April 2004 and should not be construed, and the reader is cautioned not to construe these targets, in the nature of earnings guidance. Any shares that are earned vest annually, beginning on the date earned, in equal installments over the period ending May 1, 2008. If actual performance does not reach the minimum threshold targets, no shares will be issued. If only the minimum threshold performance targets are met, up to a total of 153,000 shares could be issued. If actual performance, for both the Company and the individual, over the three-year period reaches the highest levels of targets and each recipient remains associated with the Company until May 2008, a maximum of 600,000 shares of common stock could be issued over the four-year period ending May 2008. Due to the vesting provisions, the maximum number of shares that could vest and be issued on each of the program's May 1 distribution is as follows: May 2005 - 50,000 shares; May 2006 - 133,333 shares; May 2007 - 300,000 shares; May 2008 - 300,000 shares, but in no case will more than an aggregate of 600,000 shares be issued in respect of the April 2004 PSU grants, over the period ending May 2008. In all cases, the established EPS targets must be reached after considering the earnings impact of the shares earned, vested, and issued. Of the 600,000 PSUs granted, 295,000 were granted to the named executive officers as a group, and 115,000 were granted to nonemployee directors as a group.

Expensing of Stock-Based Compensation. Effective March 29, 2004, the Company adopted the fair value recognition provisions of Statement of Financial Accounting Standards (SFAS) 123 using the modified prospective method as outlined in SFAS 148, Accounting for Stock Based Compensation Transition and Disclosure. Accordingly, the Company will determine the periodic financial statement compensation charge related to shares to be vested and issued under Performance Stock Units based upon: the stock price at the PSU grant date; management's projections of future EPS performance over the performance cycle; and the resulting amount of estimated share grants, net of forfeitures.

Additionally, the unvested stock-based compensation relating to current outstanding options will be charged as compensation expense over the remaining vesting period. The effect of the compensation expense related to the PSUs and outstanding options will be included in the earnings per share targets set for the performance cycle, and, therefore the EPS targets under the PSUs must be achieved after considering the earnings impact of these charges.

Readoption and Extension. The existing 1994 Plan does not allow additional awards to be granted after April 12, 2004. The Board is requesting shareholder approval for the Plan to be readopted and extended thus allowing awards to be granted through July 22, 2009, thereby enabling the Company to continue to recruit and motivate talented, contributing employees and directors. This readoption and extension will allow the 161,320 shares currently remaining under the 1994 Plan, and any other shares that may be returned to the pool of available shares because of the expiration or forfeiture of awards as provided in the 1994 Plan, to become available for future grants through July 22, 2009. (Note that the total shares available for award, which is 1,172,500, would not be increased by readoption and extension of the 1994 Plan.)

Assuming that the shareholders approve the readoption and extension of the 1994 Plan, it is the intention of the Compensation Committee and Board to continue the possibility of annual PSU grants or the grant of other performance-driven awards. Although the 1994 Plan as readopted and extended would permit the issuance of a variety of stock-based awards, including options and SARs, it is the current thinking of the Board that awards should be performance-driven, like the PSUs issued in April 2004. Possible performance measures that may be used in future performance-based awards include earnings per share, revenues, stock price, market performance and profitability.

The awards outstanding at April 12, 2004 are not affected and those awards remain outstanding in accordance with their respective terms.

The 1994 Plan was approved by the Board of Directors in January 1994 and thereafter by the shareholders. Since 1994, the Plan has been amended four times, in each instance with shareholder approval, and as a result, the maximum number of shares available for award at any time under the 1994 Plan was increased to 1,172,500, and nonemployee directors became eligible for awards.

As of June 1, 2004, stock option and PSU awards covering a total of 1,011,180 shares of Common Stock had been granted under the 1994 Plan and either had been exercised (130,105) or remained outstanding (881,075). The weighted average exercise price of all 281,075 outstanding stock options under the 1994 Plan was $12.78 as of June 1, 2004, and the weighted average exercise price of all outstanding stock options of the Company as of that date was $12.72. The June 1, 2004 closing sale price of the Company's Common Stock on the NASDAQ National Market was $18.34. Each nonemployee director holds options for 5,000 shares under the 1994 Plan, with the exception of Daniel Okrent who holds none.

The 1994 Plan is administered by the Compensation Committee of the Board of Directors. Subject to the provisions of the 1994 Plan, the Compensation Committee has the authority to designate participants, determine the types of awards to be granted, the number of shares to be covered by each award, and any other terms and conditions of the awards, including vesting requirements. All determinations, interpretations and other decisions relative to the 1994 Plan or awards granted thereunder may be made by the Compensation Committee and are conclusive and binding. All 549 employees, including officers, and the six nonemployee directors are eligible to receive awards under the 1994 Plan; however, the Compensation Committee presently contemplates the grant of future awards only to senior leaders and key contributors who are responsible for developing and executing the Company's growth strategies.

The maximum number of shares of Common Stock issuable under awards granted pursuant to the 1994 Plan is 1,172,500, which number is subject to adjustment to reflect stock splits and other similar events. Awards issuable under the 1994 Plan include non-qualified and incentive stock options; stock appreciation rights, or SARs; restricted stock and restricted stock units; and other "performance awards" (such as PSU awards). The exercise price of an "incentive stock option" must be at least 100% of the fair market value (as determined under the terms of the 1994 Plan) of a share of Common Stock on the date of grant.

The Compensation Committee is authorized under the 1994 Plan to determine the type of instrument, terms and conditions applicable to awards granted under the 1994 Plan, including performance measures and vesting requirements. Under the 1994 Plan, the Compensation Committee has discretion to adjust or accelerate the vesting of awards after grant. The Board currently anticipates that vesting would not be adjusted or accelerated for existing options; and for performance based awards, vesting would be adjusted or accelerated only in the event of extraordinary or non-recurring events not contemplated in developing the performance measures (i.e. change in control, material acquisitions).

Awards generally terminate upon the earlier of (a) termination of employment or other engagement for any reason other than death, retirement, or disability, (b) twelve months after the employee's normal retirement date, or (c) twelve months after the date of a recipient's death with respect to options and SARs to the extent they are exercisable at the time of the recipient's death. In the event of retirement, disability or death, any restriction applicable to a restricted stock award will be removed on a pro rata basis in accordance with the portion of the restricted period that has expired as of the date of retirement, disability, or death, as applicable. In the case of a Performance Share Unit award, the participant must generally be employed by (or otherwise associated with) the Company on the last day of the fiscal year in order to earn any shares for that year and, in addition, must remain employed by (or otherwise associated with) the Company on each of the annual distribution dates in order to be entitled to receive any shares otherwise earned. This latter condition does not apply, however, if employment has been terminated by the Company other than for cause, by the employee for good reason, or on account of normal retirement, disability, or death.

The shares of Common Stock underlying any awards granted under the 1994 Plan that either expire, are terminated or cancelled for any reason, without the issuance of the shares or payment in accordance with the terms of the corresponding award agreement, are available for future awards under the 1994 Plan. The 1994 Plan does not prohibit stock option repricing; provided however, that any repricing would be permitted only to the extent allowed by the rules of the NASDAQ Stock Market as applicable to the Company. The Plan does allow for the repurchase of stock options for cash. During the first quarter of fiscal 2004 after careful consideration regarding earnings and shareholder dilution, the Board determined that it was in the best interest of shareholders to authorize a Stock Option Repurchase Program. This program was completed in June 2003. The Board does not currently anticipate any future repurchase of stock options or other awards for cash.

Awards for not more than 150,000 shares may be issued under the Plan to any one participant in any one calendar year; and the maximum number of shares that may be issued pursuant to awards granted to each nonemployee director is currently limited to 50,000, and any such grants require the approval of a majority of disinterested directors.

In general, the Board of Directors may amend the 1994 Plan in any respect that does not adversely affect an award granted and then outstanding under the 1994 Plan. Shareholder approval is, required however, for any amendment to the 1994 Plan that (i) except in limited circumstances, increases the maximum number of shares for which awards may be made under the 1994 Plan, (ii) reduces the exercise price at which options may be granted or otherwise materially increases the benefits accruing to participants under the 1994 Plan, or (iii) materially modifies the terms of the 1994 Plan. Amendments of the 1994 Plan may also require stockholder approval under the Rules of the NASDAQ Stock Market, as applicable to the Company.

Federal Income Tax Consequences. Following is a brief summary of the U.S. federal income tax consequences of awards made under the 1994 Plan. This summary is intended for general information only, and state and local income tax consequences are not discussed and vary from locality to locality.

Stock Options. A participant will not recognize any income upon the grant of a stock option. A participant will recognize compensation taxable as ordinary income, subject to income tax withholding, upon exercise of a nonqualified stock option equal to the excess of the fair market value of the shares purchased over their exercise price, and the Company will generally be entitled to a corresponding deduction. A participant generally will not recognize income (except for purposes of the alternative minimum tax) upon exercise of an ISO during employment or within three months after termination of employment (or one year in the case of disability). If the shares acquired by exercise of an ISO are held for the longer of two years from the date the option was granted and one year from the date it was exercised, any gain or loss arising from a subsequent disposition of such shares will be taxed as long-term capital gain or loss, and the Company will not be entitled to any deduction. If, however, such shares are disposed of by sale within the above-described period, then in the year of such disposition the participant will recognize compensation taxable as ordinary income equal to the excess of the lesser of (i) the amount realized upon such disposition and (ii) the fair market value of such shares on the date of exercise over the exercise price, and the Company will generally be entitled to a corresponding deduction for tax purposes.

SARS. A participant generally will not recognize any taxable income upon the grant of a SAR. A participant will recognize compensation taxable as ordinary income, subject to income tax withholding, upon exercise of a SAR equal to the fair market value of any shares delivered and the amount of cash paid by the Company upon such exercise, and the Company will generally be entitled to a corresponding deduction for tax purposes.

Restricted Stock. A participant will not recognize taxable income at the time of the grant of shares of restricted stock, restricted stock units (i.e., the right to receive stock at a later date, subject to certain conditions), and including Performance Stock Units, that are not transferable and are subject to a substantial risk of forfeiture, and the Company will not be entitled to a tax deduction at such time, unless the participant makes an election to be taxed at the time restricted stock is granted. If such an election is not made, the participant will recognize ordinary taxable income at the time the restrictions lapse in an amount equal to the excess of the fair market value of the shares at such time over the amount, if any, paid for the shares. The amount of ordinary income recognized by a participant by making the above-described election or upon the lapse of the restrictions is generally deductible by the Company as compensation expense. In addition, a participant receiving dividends with respect to restricted stock for which the above-described election has not been made and before the time the restriction lapses, will recognize taxable compensation (subject to income tax withholding), rather than dividend income, in an amount equal to the dividends paid and the Company will generally be entitled to a corresponding deduction.

Section 162(m) of the Code. Although the Company may generally deduct the value of awards fully earned and paid, no deduction is available for ISOs and Section 162(m) of the Internal Revenue Code generally limits to $1 million the amount that a publicly held corporation is allowed to deduct each year for the compensation paid to each of the corporation's chief executive officer and the corporation's four most highly compensated officers. Certain compensation, including certain types of "performance based" compensation is exempt from this limit if various requirements are met. Compensation under the 1994 Plan, such as that payable with respect to options, SARs and restricted stock and restricted stock units, could be subject to the $1 million deduction limit under Section 162(m) of the Code.

The Board of Directors recommends a vote "FOR" the approval of the readoption of the 1994 Stock and Incentive Plan and the extension of the date through which awards may be granted under the 1994 Plan to July 22, 2009.

PROPOSAL 3. Ratification of Independent Public Accountants

The Audit Committee of the Board of Directors has selected the firm of Ernst & Young LLP to serve as independent public accountants for the fiscal year ending March 27, 2005, and the Company seeks ratification of such appointment by the shareholders. Representatives of Ernst & Young LLP are expected to be present at the Annual Meeting and will be available to respond to appropriate questions.

Pursuant to a recommendation of the Audit Committee and approval by the Board of Directors, effective June 4, 2002, Arthur Andersen LLP was dismissed as the Company's independent public accountants and Ernst & Young LLP was engaged to serve as the Company's independent public accountants for the fiscal year ending March 30, 2003.

Arthur Andersen's reports on the Company's consolidated financial statements for each of the fiscal years ended March 31, 2002 and April 1, 2001 did not contain an adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principles.

During the fiscal years ended March 31, 2002 and April 1, 2001, and through June 4, 2002, there were no disagreements with Arthur Andersen on any matter of accounting principle or practice, financial statement disclosure, or auditing scope or procedure which, if not resolved to Arthur Andersen's satisfaction, would have caused them to make reference to the subject matter in connection with their report on the Company's consolidated financial statements for such years; and there were no reportable events as defined in Item 304(a)(1)(v) of Regulation S-K.

The Company provided Arthur Andersen with the foregoing disclosures. Attached as Appendix A is a copy of Arthur Andersen's letter, dated June 4, 2002, stating its agreement with such statements.

During the fiscal years ended March 31, 2002 and April 1, 2001, and through June 4, 2002, the Company did not consult Ernst & Young with respect to the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company's consolidated financial statements, or any other matters or reportable events as set forth in Items 304(a)(2)(i) and (ii) of Regulation S-K.

The Board of Directors recommends a vote "FOR" the ratification of the appointment of Ernst & Young LLP as independent public accountants for fiscal year 2005.

SECURITY OWNERSHIP OF MANAGEMENT AND PRINCIPAL SHAREHOLDERS

The following table sets forth information regarding the ownership of Common Stock of the Company, as of June 1, 2004 by (i) all shareholders known by the Company to beneficially own more than five percent of the Common Stock, (ii) each of the directors and the other executive officers for whom such reporting is required during fiscal 2004 (the "Named Executive Officers"), and (iii) all directors and Named Executive Officers as a group.

Name of Beneficial Owner (1)	Amount and Nature of Beneficial Ownership	Percent of Class
Directors, Nominees for Director and Named Executive Officers:		
Robert B. Barnhill, Jr. (2)	1,057,642	22.6%
John Beletic (3)	21,600	*
Jerome C. Eppler (4)	15,000	*
Benn R. Konsynski, Ph.D. (4)	33,000	*
Daniel Okrent (5)	1,000	*
Dennis J. Shaughnessy (4)	13,450	*
Morton F. Zifferer, Jr. (4)	33,000	*
Christina M. Corner (6)	9,034	*
Gerald T. Garland (7)	116	*
Richard A. Guipe (8)	6,429	*
Douglas A. Rein (8)	7,637	*
Robert C. Singer (8)	8,124	*
Randolph S. Wilgis (9)	16,692	*
All directors and Named Executive Officers as a group (13 persons) (10)	1,222,724	25.8%
Principal Shareholders:		
Advisory Research, Inc. (11)	227,900	5.2%
Sentry Investment Management, Inc. (12).	232,700	5.2%

* Less than 1% of the outstanding Common Stock.

(1) Unless otherwise noted, each person exercises sole (or shares with a spouse or other immediate family member) voting and dispositive power as to the shares reported. Persons are deemed to beneficially own shares which they have the right to acquire beneficial ownership of within 60 days. Shares subject to options exercisable within 60 days of June 1, 2004 are deemed outstanding for computing the percentage of the outstanding shares held by the person holding such options, but not for computing the percentage of shares held by any other person.

(2) Includes 150,000 shares held by Mr. Barnhill's spouse and children; 228,000 shares subject to currently exercisable stock options; 3,000 shares subject to options exercisable within 60 days of June 1, 2004; and 10,000 shares held by a private charitable foundation of which Mr. Barnhill and his spouse are the sole directors. Mr. Barnhill disclaims beneficial ownership over the shares held by the foundation. Mr. Barnhill's address is 11126 McCormick Road, Hunt Valley, Maryland 21031.

(3) Includes 11,500 shares subject to a currently exercisable stock option and 1,500 shares subject to options exercisable within 60 days of June 1, 2004.

(4) Includes 1,500 shares subject to currently exercisable stock options and 1,500 shares subject to options exercisable within 60 days of June 1, 2004.

(5)

Mr. Okrent was named as a Director on January 26, 2004.

(6) Includes 9,000 shares subject to currently exercisable stock options.

(7) Mr. Garland was rehired by the Company as a Senior Vice President on April 17, 2003.

(8) Includes 3,000 shares subject to currently exercisable stock options and 3,000 shares subject to options exercisable within 60 days of June 1, 2004.

(9) Includes 4,375 shares subject to currently exercisable stock options and 3,000 shares subject to options exercisable within 60 days of June 1, 2004.

(10) Includes 267,875 shares subject to currently exercisable stock options and 22,500 shares subject to options exercisable within 60 days of June 1, 2004.

(11) Derived from Form 13G filed by Advisory Research, Inc. on February 17, 2004. Advisory's address is 180 North Stetson Avenue, Chicago, Illinois 60601

(12) Derived from Form 13F filed by Sentry Investment Management on May 13, 2004. Sentry's address is 1800 North Point Drive, Stevens Point, Wisconsin 54481.

Equity Compensation Plan Information

The following table sets forth information as of March 28, 2004 with respect to the Company's 1994 Stock and Incentive Plan, 1984 Employee Incentive Stock Option Plan, Team Member Stock Purchase Plan and options granted pursuant to other compensation arrangements.

Plan Category	**Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)**	**Weighted-average exercise price of outstanding options, warrants and rights (b)**	**Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)**
Equity compensation plans approved by security holders(1)	289,375	$ 12.78	927,720(2)
Equity compensation plans not approved by security holders (3)	215,000	$ 12.67	
Total	504,375	$ 12.74	927,720

(1) Does not include or reflect an aggregate of 600,000 performance stock units, or PSUs, issued by the Company on April 9, 2004 pursuant to the 1994 Stock and Incentive Plan. See Executive Compensation and Other Information Stock Based Compensation Plans.

(2) Includes 167,400 shares of common stock available for purchase under the Company's Team Member Stock Purchase Plan. Also does not reflect an aggregate of 600,000 performance stock units issued by the Company on April 9, 2004 pursuant to the 1994 Stock and Incentive Plan.

(3) Includes options granted pursuant to compensation arrangements other than a formal plan, all of which were granted at not less than fair-market value on the date of the grant, provide for vesting over a period of four years and have a term of six or ten years from the

date of the grant.

Executive Compensation and Other Information

The following table summarizes the compensation awarded to, earned by, or paid to the Company's Chief Executive Officer during fiscal 2004, 2003 and 2002 and the Company's other executive officers (the "Named Executive Officers.")

		Annual Compensation		Long-Term Compensation	
Name and Principal Position	**Fiscal Year**	**Salary ($)**	**Bonus ($)(1)**	**Options (# of Shares)**	**All Other Compensation ($)**
Robert B. Barnhill Jr.,	2004	450,000	100,000		307,358(2)
Chairman of the Board,	2003	450,000	315,000	40,000	32,435(2)
President and Chief Executive Officer	2002	450,000	270,000	40,000	33,164(2)
Christina M. Corner,	2004	200,000	65,000		898(3)
Senior Vice President,	2003	178,462	55,000	30,000	
Sales and Market Development					
Gerald T. Garland	2004	180,385	65,000	10,000	
Senior Vice President, Mobile Devices and Accessories Line of Business					
Richard A. Guipe,	2004	250,000	13,320		25,580(4)
Senior Vice President,	2003	250,000	40,000		53,988(4)
Network Infrastructure Line of Business	2002	234,815	60,000	10,000	50,940(4)
Douglas A. Rein,	2004	200,000	33,300		15,678(5)
Senior Vice President,	2003	200,000	70,000		2,560(5)
Fulfillment and Operations	2002	204,672	48,000	10,000	15,042(5)
Robert C. Singer,	2004	200,000	33,300		32,963(6)
Senior Vice President,	2003	200,000	70,000		3,065(6)
Chief Financial Officer	2002	201,004	48,000	10,000	1,961(6)
Randolph S. Wilgis,	2004	200,000	20,320		26,147(7)
Senior Vice President,	2003	200,000	40,000		2,661(7)
Installation, Test and Maintenance Line of Business	2002	200,000	48,000	10,000	2,004(7)

(1) Represents bonuses paid pursuant to the Company's Officers' Reward for Results Program, and for 2003 includes special bonuses paid for the extraordinary recovery efforts in response to the October 12, 2002 flooding of the Company's Global Logistics Center. These special bonuses were $60,000 for Mr. Barnhill, $5,000 for each of Messrs. Guipe and Wilgis and Ms. Corner, and $30,000 for each of Messrs. Rein and Singer.

(2) Includes (i) premiums in the amount of $12,500 for a life insurance policy; (ii) premiums in the amount of $17,995 for a split-dollar life insurance policy arrangement with the Company, cancelled in May 2003; (iii) payments made to Mr. Barnhill in lieu of split-dollar insurance policy cancelled in 2003 in the amount of $48,750 for 2004; and (iv) $2,669, $1,940 and $2,928 allocated to Mr. Barnhill's Retirement Savings Plan account in fiscal 2002, 2003 and 2004, respectively; and (v) $243,180 paid under the Company's Stock Option Repurchase Program during fiscal 2004. Does not include a $40,995 insurance premium payment by the Company for fiscal 2002, 2003 and 2004, related to an insurance policy designed to fund the supplemental executive retirement plan for Mr. Barnhill. See "Employment Agreement." The Company is the sole beneficiary of the policy.

(3) Represents amounts allocated to Ms. Corner's Retirement Savings Plan Account.

(4) Represents a $50,000 special bonus in 2003 and 2002; $940, $3,988 and $1,450 allocated to Mr. Guipe's Retirement Savings Plan Account for fiscal years 2002, 2003 and 2004, respectively; and $24,130 paid under the Company's Stock Option Repurchase Program during fiscal 2004.

(5) Represents relocation expenses of $12,989 for fiscal 2002, and $2,053, $2,560 and $1,178 allocated to Mr. Rein's Retirement Savings Plan account for fiscal years 2002, 2003 and 2004, respectively; and $14,500 paid under the Company's Stock Option Repurchase Program during fiscal 2004.

(6) Represents $1,961, $3,065, and $1,663 allocated to Mr. Singer's Retirement Savings Plan account for fiscal years 2002, 2003 and 2004, respectively; and payment of $31,300 made under the Company Stock Option Repurchase Program during fiscal 2004.

(7) Represents $2,004, $2,061, and $1,507 allocated to Mr. Wilgis' Retirement Savings Plan Account for fiscal years 2002, 2003 and 2004, respectively; and payment of $24,640 made under the Company's Stock Option Repurchase Program during fiscal 2004.

Employment Agreements

Mr. Barnhill. Pursuant to the terms of an employment agreement between the Company and Mr. Barnhill entered into in March 1994, as amended, Mr. Barnhill is employed as Chairman of the Board, President and Chief Executive Officer of the Company at a current annual base salary of $450,000, and cash bonuses in accordance with the Company's Officers' Reward for Results Program. The Reward for Results Program is designed to reward the Company's officers based upon the growth in the Company's earnings per share and improvement in other key individual and corporate performance measures. The employment agreement provides for an initial term of three years, and, unless the Board of Directors notifies Mr. Barnhill otherwise before the end of any calendar year, the term of the agreement automatically renews daily for the succeeding three-year period.

The employment agreement also provides for (i) the establishment of a supplemental executive retirement plan, which will provide Mr. Barnhill with a $75,000 annual pension benefit payable on Mr. Barnhill's retirement, termination of employment for reasons other than cause (as defined in the employment agreement) or attainment of age 62 and (ii) a long-term disability policy providing Mr. Barnhill with a benefit equal to not less than 70% of his annual base salary. In addition, as required by the employment agreement, the Company has since April 1994 paid the premiums on a $2,000,000 second-to-die split-dollar life insurance policy on Mr. Barnhill and his spouse. Because of proposed changes in the income tax regulations relating to the tax treatment of split-dollar insurance policies, and because of concerns that continuing the split-dollar arrangement, as required by the employment agreement, would violate the Sarbanes-Oxley Act of 2002, the Company and Mr. Barnhill agreed, effective May 2003: (i) to terminate the split-dollar arrangement and (ii) in order to afford Mr. Barnhill an equivalent after-tax benefit, to amend the employment agreement to provide for an additional annual bonus to Mr. Barnhill (for as long as the Company is required to fund a comparable life insurance policy) of approximately $65,000.

In the event of the termination of Mr. Barnhill's employment for certain reasons, including death, disability or a termination resulting from a change in control of the Company (as defined in the employment agreement), the employment agreement provides for payment to Mr. Barnhill, when and as due, of the total salary payable to him for the next three years, plus bonuses to which he would have been entitled had he remained in the employ of the Company during the three-year period. In addition, Mr. Barnhill would be entitled to receive the employee benefits he would have received during such three-year period or an after-tax payment in an amount equal to the value of such benefits.

In January 1996, the Company also adopted a stock compensation program for the Chief Executive Officer, pursuant to which, subject to Board approval, Mr. Barnhill had been granted an option each quarter to purchase 10,000 shares of Common Stock at an exercise price equal to not less than the market value of the Company's Common Stock on the date of the grant. All of these options have a term of ten years and generally become exercisable over a four-year period following the date of grant, provided that Mr. Barnhill remains employed by the Company. This compensation program terminated at the end of fiscal year 2003.

Senior Vice Presidents. The Company is also party to employment letter agreements with each of its Senior Vice Presidents. Each are entitled to receive performance based bonuses in accordance with the Company's Officers' Reward for Results Program, and provide for severance payments of between six and nine months salary, depending upon the date of termination of employment, in the event that their employment is terminated by the Company "without good cause" or by them for "good reason", as such terms are defined in the employment letter agreements.

401(k) and Non-Qualified Deferred Compensation Plans

The Company has a 401(k) plan, which covers all eligible employees. Contributions to the plan can be made by employees, as well as by the Company at the discretion of the Company. The Company's 401(k) plan expense during fiscal 2004 totaled $135,800.

The Company maintains a non-qualified deferred compensation plan that covers directors and certain management personnel as determined by the Board of Directors. Contributions to this plan may be made by these individuals, as well as by the Company at the discretion of the Company's Board of Directors; however the Company has made no contributions to the plan to date.

Stock-Based Compensation Plans

The Company's 1994 Stock and Incentive Plan (the 1994 Plan) provides for the grant or award to regular full-time employees (including officers) and nonemployee directors of stock options, stock appreciation rights, restricted stock, restricted stock units and other "performance awards," which may be denominated in shares of Common Stock or other securities of the Company. At present, the maximum number of shares of Common Stock issuable pursuant awards granted under the 1994 Plan is 1,172,500, subject to adjustment to reflect stock splits and other similar events. As of June 1, 2004, options for 130,105 shares had been granted and exercised and options for 281,075 shares had been granted and remained outstanding (i.e., had not lapsed, been cancelled, repurchased or expired). On June 5, 2003, the Company completed a stock option repurchase program whereby options issued under the 1994 Plan with respect to an aggregate of 701,045 shares were repurchased by the Company at an after tax cost to the Company of $307,000.

In April 2004, consistent with the current compensation philosophy, the Compensation Committee, with the approval of the Board of Directors, established a Performance Stock Unit Award Program which is designed to align all efforts of recipients toward driving earnings and shareholder value. For further discussion of the Performance Stock Unit Award Program, see "Proposal 2: To readopt the 1994 Stock and Incentive Plan and to allow for the granting of awards under the 1994 Plan through July 22, 2009."

Assuming approval of Proposal 2, the readoption and extension of the date through which awards may be granted under the 1994 Plan from April 12, 2004 to July 22, 2009, awards in respect of 161,320 shares of Common Stock remained available on June 1, 2004, for issuance under the 1994 Plan. Absent such approval, no further awards may be granted under the 1994 Plan.

The Company also maintains the 1984 Employee Incentive Stock Option Plan (the 1984 Plan), which provides for the grant of options to acquire up to an aggregate of 401,250 shares of Common Stock. As of June 1, 2004, options for 361,250 shares have been granted and exercised and options for 500 shares have been granted and remain outstanding under the 1984 Plan. Options under the 1984 Plan for an aggregate of 42,500 shares were repurchased by the Company pursuant to the stock option repurchase program completed in June 2003.

In addition, the Company maintains the Team Member Stock Purchase Plan. This plan permits eligible employees to purchase up to an aggregate of 200,000 shares of the Company's Common Stock at 85% of the lower of the market price on the first day of a six-month period and the market price on the last day of that same six-month period. During fiscal 2004, 12,950 shares were sold to employees under this plan.

Option Grants in the Last Fiscal Year

The following table shows certain information relating to options to purchase shares of Common Stock granted to the Named Executive Officers in fiscal year 2004.

	Individual Grants				Potential Realizable Value at Assumed Annual Rate of Stock Price Appreciation for Term(1)	
Name	**Number of Securities Underlying Options Granted (#)**	**Percent of Total Options Granted to Employees in Fiscal 2004**	**Exercise or Base Price ($/Share)**	**Expiration Date**	**5%**	**10%**
Gerald T. Garland (2)	10,000	66.7%	$ 6.57	April 17, 2009	22,345	50,691

(1)
Potential Realizable Values are based on an assumption that the stock price of the Common Stock on the date of grant equals the exercise price shown for each particular option grant and appreciates at the annual rate shown (compounded annually) from the date of grant until the end of the term of the option. These amounts are reported net of the option exercise price, but before any taxes associated with exercise or subsequent sale of the underlying stock. The actual value, if any, an option holder may realize will be a function of the extent to which the stock price exceeds the exercise price on the date the option is exercised and also will depend on the option holder's continued employment through the vesting period. The actual value to be realized by the option holder may be greater or less than the values estimated in this table.

(2)
These options, which were issued under the Company's 1994 Stock and Incentive Plan, generally vest over a two-year period commencing on the second anniversary of date of grant, provided that the recipient remains an employee of the Company and subject to such other conditions as the Compensation Committee may impose. To the extent not then exercised, these options generally expire on the sixth anniversary of the date of grant.

Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values

The following table sets forth information with respect to option exercises in and year-end option values for fiscal 2004 for the Named Executive Officers.

Name	Shares Acquired On Exercise	Value Realized (1)	Number of Securities Underlying Unexercised Options at Fiscal Year-end Exercisable/ Unexercisable	Value of Unexercised In-the-Money Options at Fiscal Year-end Exercisable/ Unexercisable (2)
Robert B. Barnhill, Jr.			222,000/68,000	179,390/160,310
Christina M. Corner			/30,000	/
Gerald T. Garland			/10,000	/64,100
Richard A. Guipe			3,000/7,000	3,840/8,960
Douglas A. Rein			3,000/7,000	3,840/8,960
Robert C. Singer			3,000/7,000	3,840/8,960
Randolph S. Wilgis			4,375/7,000	3,840/8,960

(1)

The value realized represents the difference between the market value per share of the Company Common Stock on the date of exercise and the per share exercise price, multiplied by the applicable number of shares for which options were exercised. All options reflected in the above table were issued pursuant to the 1994

Stock and Incentive Plan, except for options for 200,000 shares held by Mr. Barnhill, which are non-plan options.

(2) Value is based on the difference between the stock option exercise price and the closing price of the Company's Common Stock on the Nasdaq Stock Market on March 26, 2004 of $12.88 per share.

Notwithstanding anything to the contrary set forth in any of the Company's previous filings under the Securities Act of 1933 or the Securities Exchange Act of 1934, that might incorporate future filings, including all or any portions of this Proxy Statement, the following report and Stock Performance Graph shall not be deemed to be incorporated by reference into any such filings and shall not otherwise be deemed to be filed under such Acts.

Compensation Committee Report on Executive Compensation

The Board of Directors has delegated to the Compensation Committee responsibility for developing and administering programs for compensating the Company's executive officers. The Company's management team has substantial experience in the distribution industry in general and the wireless communications industry in particular. Mr. Barnhill founded the Company, is a major shareholder, serves as Chairman of the Board, President and Chief Executive Officer, and has been instrumental in the Company's business success. The Company and the Compensation Committee intend to maintain compensation policies, plans and programs that will attract and retain executive officers who they believe possess the ability to enhance shareholder value.

The executive compensation program is designed to promote the following objectives:

1. Attract, retain, and motivate executives who can significantly contribute to the short-term and long-term success and develop the overall talent of the Company.

2. Reward the achievement of business objectives that have been approved by the Board.

3. Provide a rational and consistent executive compensation system that is well communicated and understood by the participants.

4. Tie a significant portion of executive compensation to the accomplishment of the Company's strategic goals and the creation of long-term shareholder value.

5. Provide motivational programs that focus on effective compensation, leadership development and growth opportunities.

The Compensation Committee believes that if these objectives are consistently achieved, shareholder value will be enhanced over time.

Executive officers receive a base salary based on their responsibilities and competitive pay practices. Base salaries are reviewed annually and, subject to the terms of any applicable employment agreements, may be adjusted upward or downward based on changes in levels of responsibility and/or the individual's performance and contribution to the Company's performance.

Cash rewards paid to the named Executive Officers, including the Chief Executive Officer, are determined pursuant to the Company's Reward for Results Plan (RFRP). The RFRP is designed to reward participants appropriately for the achievement of corporate earnings per share and customer growth targets which are then factored by team and individual performance. The RFRP has established threshold and goal targets, which are the basis for reward payments. The earnings per share targets include the compensation expense of the RFRP.

As part of the RFRP, in April 2004, the Company announced the Performance Stock Award Program. The Performance Stock Award Program includes grants of restricted stock units, or Performance Stock Units (PSUs), under the 1994 Plan to employees of the Company. The vesting of a PSU is based on the achievement of threshold and goal earnings per share targets set by the

Compensation Committee and is factored by each individual participant's personal performance. The program advances the objective of moving the Company's equity-based compensation away from stock options to performance based and time vested stock grants, and provides potential rewards to senior leaders and key contributors who are responsible for developing and executing the Company's growth strategies. The Compensation Committee believes that granting performance based equity compensation awards more closely aligns the recipient's interest with the Company's stock market performance.

The Reward For Results Program has been designed to align executive compensation with both the Company's business goals and long-term shareholder interests. The Committee recognizes that while stock prices may reflect corporate performance over the long term, other factors, such as general economic conditions and varying investors' attitudes toward the stock market in general, and specific industries in particular, may significantly affect stock prices at any point in time. Accordingly, the annual cash components of the program, consisting of salary and annual bonus, emphasize the achievement of earnings per share, customer growth and individual performance, which are independent of short-range fluctuations in the stock price.

Respectfully,

John D. Beletic
Dennis J. Shaughnessy
Morton F. Zifferer, Jr.

Stock Performance Graph

The chart set forth below shows the value of an investment of $100 on March 29, 1999 in each of the Company's Common Stock, the Russell 2000 index and peer issuers for the period March 29, 1999 to March 28, 2004. All values assume reinvestment of the pre-tax value of dividends.

Comparison of Cumulative Total Return
Value of Investment of $100 on March 29, 1999

The peer issuers consist of the following companies engaged in the telecommunications retail and/or wholesale product distribution industry: Cellstar Corporation; Brightpoint, Inc.; Andrew Corporation; Ingram Micro Inc.; Somera Communications Inc.; W.W. Grainger, Inc.; and Anixter International Inc. All of the current peer group issuers were publicly traded as of March 28, 2004.

REPORT OF THE AUDIT COM