

TESSCO TECHNOLOGIES INC  
Form DEF 14A  
June 19, 2006  
UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**SCHEDULE 14A**

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- 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):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
  - (1) Title of each class of securities to which transaction applies:
  - (2) Aggregate number of securities to which transaction applies:
  - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
  - (4) Proposed maximum aggregate value of transaction:
  - (5) Total fee paid:
- Fee paid previously with preliminary materials.
- Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
  - (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 20, 2006**

---

NOTICE IS HEREBY GIVEN that the 2006 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 20, 2006 at 9:00 a.m., local time, for the following purposes:

1. To elect three directors for a three-year term ending at the Annual Meeting of Shareholders to be held in 2009 and until their respective successors are duly elected and qualify.
2. To ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for fiscal year 2007.
3. 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, 2006 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 2006 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 26, 2006.

By Order of the Board of Directors,

David M. Young  
*Corporate Secretary*

Hunt Valley, Maryland  
June 19, 2006

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 20, 2006 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 19, 2006.

**Voting Rights and Outstanding Shares**

The Board of Directors of the Company has fixed the close of business on June 1, 2006 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, 4,202,688 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 and FOR the ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm.

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 three 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 20, 2006, 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 eight members. One class of directors, consisting of John D. Beletic, Daniel Okrent and Morton F. Zifferer, Jr., has a term of office expiring at the Annual Meeting and until their successors are elected and qualified. Messrs. Beletic, Okrent and Zifferer 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 2009 and until their successors are elected and qualified. In the event that any 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 2009 Annual Meeting**

**John D. Beletic**, age 54, 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, iBahn, and Aventail, Inc. He is also on the Advisory Board of Data Return and Convi. From July 2002 to September 2004, Mr. Beletic also served as Executive Chairman of Oculan Corporation, a network monitoring and intrusion detection company. From August 1994 until December 2001, he served as Chairman and Chief Executive Officer of PageMart and WebLink Wireless, Inc. Prior to 1994, he was a Venture Partner at Morgan Stanley Venture Capital Partners, following a five-year term as President and CEO of Tigon which was acquired by Ameritech.

**Daniel Okrent**, age 58, has been a director of the Company since January 2004. In 2005, he completed his term as the first 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 formerly served on the Board of Lands End, Inc., and is chairman of the National Portrait Gallery, a division of the Smithsonian Institution.

**Morton F. Zifferer, Jr.**, age 58, 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 Six-Sigma continuous improvement activities and execute lean manufacturing techniques and sophisticated supply chain strategies and practices.

*Directors whose term will expire at the 2007 Annual Meeting:*

**Jerome C. Eppler**, age 82, 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.

**Susan D. Goodman**, age 51, has been a director of the Company since March 2005. Ms. Goodman founded the strategic marketing consultancy firm Goodman & Company in 2003. Prior to that, Ms. Goodman served as Chief Corporate Development Officer for Answerthink, an interactive marketing



agency and IT consultancy. Ms. Goodman serves on the Direct Marketing Association's Board of Directors, the Advisory Board of AD:TECH and the Board of Directors of the Byrd Hoffman Watermill Foundation.

**Dennis J. Shaughnessy**, age 59, has been a director of the Company since 1989. He is Chairman of the Board of FTI Consulting Inc. (NYSE:FCN). Prior to joining FTI, Mr. Shaughnessy served as General Partner of Grotech Capital Group, a private equity firm. Prior to joining Grotech, Mr. Shaughnessy had been President and CEO of CRI International, an international petroleum refining service business.

*Directors whose term will expire at the 2008 Annual Meeting:*

**Robert B. Barnhill, Jr.**, age 62, 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 55, 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.

#### **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 Stock 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 five (5) times during fiscal year 2006. During fiscal year 2006, no incumbent director attended fewer than 75% of the total number of meetings of the Board and Committees on which the Director served, except for Mr. Shaughnessy, who attended four of five Board of Director meetings, three of five Compensation Committee meetings and two of four Nominating Committee meetings. The Company does not have a policy on director attendance at Annual Meetings, but all of our directors are invited and encouraged to attend Annual Meetings. Seven of our eight directors were in attendance at the 2005 Annual Meeting.

**Board Committee Membership**

<b>Director</b>	<b>Audit Committee</b>	<b>Compensation Committee</b>	<b>Nominating Committee</b>
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			X
Susan D. Goodman		X	

**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 the independent registered public accounting firm, 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 six (6) times during fiscal year 2006. A copy of the Audit Committee charter, attached to this Proxy Statement as Appendix A, is available for review 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 administers the Company's incentive compensation plans, including the Amended and Restated 1994 Stock and Incentive Plan. The Compensation Committee met five (5) times during fiscal year 2006. A copy of the Compensation Committee charter is available for review 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 year 2006. The Nominating Committee performs other related functions and is governed by a charter, a copy of which is available for review on our Web site (<http://www.tessco.com>), under the heading Corporate.

The Nominating Committee has determined, in its view, 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 shareholders initiate any communications with the Board in writing and send them in care of the Corporate Secretary. Shareholders can send communications by e-mail to [corporatesecretary@tessco.com](mailto: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 shareholder 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 non-employee 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 or she attends. Each Director is also separately reimbursed for reasonable out-of-pocket expenses incurred in connection with attendance at Board or Committee meetings. Directors are also eligible for awards under the Company's Amended and Restated 1994 Stock and Incentive Plan.

During fiscal year 2005, the then current Directors received Performance Stock Units (PSUs) under the Amended and Restated 1994 Stock and Incentive Plan (1994 Plan). Messrs. Beletic, Eppler, Konsynski, Shaughnessy and Zifferer received PSUs entitling them each to earn up to 19,000 shares, and Mr. Okrent received PSUs entitling him to earn up to 20,000 shares of Company Common Stock, in each case, upon full satisfaction of annual or cumulative Company earnings per share performance goals over a three-year

performance cycle consisting of fiscal years 2005, 2006 and 2007. Once earned, shares are then issued in equal installments commencing on or about May 1 following the corresponding annual or cumulative measurement period, and continuing on or about May 1 of each of the following years through May 2008, provided that the participant remains associated with the Company through the issue date. Based on Company performance for fiscal year 2005, each of Messrs. Beletic, Eppler, Konsynski, Shaughnessy and Zifferer earned 4,576 shares, and Mr. Okrent earned 4,817 shares in respect of PSUs issued during fiscal year 2005, of which 50% have been issued, and the remaining 50% will be issued in equal annual installments on or about May 1 of 2007 and 2008, provided that the participant remains associated with the Company on the issue date. Based on Company performance for fiscal year 2006, each of Messrs. Beletic, Eppler, Konsynski, Shaughnessy and Zifferer earned 484 shares, and Mr. Okrent earned 510 shares in respect of PSUs issued during fiscal year 2005, of which 33 $\frac{1}{3}$ % have been issued, and the remaining 66 $\frac{2}{3}$ % will be issued in equal annual installments on or about May 1 of 2007 and 2008, provided that the participant remains associated with the Company on the issue date. At the time of joining the Board of Directors at the commencement of fiscal year 2006, Ms. Goodman received PSUs entitling her to receive an aggregate of 13,333 shares of Company Common Stock upon terms and with performance goals identical to those applicable to the PSUs granted previously to the other non-employee directors, except that the performance goals cover only fiscal years 2006 and 2007, the remaining years of the three-year performance cycle for the PSUs received by the other non-employee directors. No shares have been earned related these PSUs.

During fiscal year 2006, our current Directors received additional PSUs under the 1994 Plan, entitling them each to earn up to 4,375 shares of Company Common Stock upon full satisfaction of Company earnings per share performance goals in fiscal year 2006. Based on Company performance for fiscal year 2006, each of our current directors earned 1,750 shares, of which 33 $\frac{1}{3}$ % have been issued, and the remaining 66 $\frac{2}{3}$ % will be issued in equal annual installments on or about May 1 of 2007 and 2008, provided that the participant remains associated with the Company on the issue date.

The value of the shares issued to date pursuant to PSUs granted at the end of fiscal years 2005 and 2006, determined on the basis of the per share closing price of the Company's Common Stock on the Nasdaq Stock Market on the last day of the applicable fiscal year (\$14.76 on March 24, 2005 and \$18.22 on March 24, 2006), is \$51,284 in the case of each of Messrs. Beletic, Eppler, Konsynski, Shaughnessy and Zifferer, \$53,427 in the case of Mr. Okrent and \$10,622 in the case of Ms. Goodman.

#### **PROPOSAL 2. Ratification of Independent Registered Public Accounting Firm**

The Audit Committee of the Board of Directors has selected the firm of Ernst & Young LLP to serve as our independent registered public accounting firm for the fiscal year ending April 1, 2007, and the Company seeks ratification of such appointment by the shareholders. Ernst & Young LLP has audited our financial statements commencing with the fiscal year ended March 30, 2003. Representatives of Ernst & Young LLP are expected to be present at the Annual Meeting and will be available to respond to appropriate questions.

Shareholder ratification of Ernst & Young LLP as our independent registered public accounting firm is not required by our By-laws or otherwise. However, the Board of Directors is submitting the selection of Ernst & Young LLP to the shareholders for ratification as a matter of good corporate practice. If the shareholders fail to approve the selection, the Audit Committee and the Board will reconsider whether or not to retain that firm. Even if the selection is ratified, the Audit Committee in its discretion may direct the appointment of a different independent registered public accounting firm at any time during the year if they determine that such a change would be in the best interest of our shareholders.

**The Board of Directors recommends a vote FOR the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for fiscal year 2007.**

**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, 2006 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 year 2006 (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
<i>Directors, Nominees for Director and Named Executive Officers:</i>		
Robert B. Barnhill, Jr.(2)	919,384	21.9 %
John Beletic(3)	16,632	*
Jerome C. Eppler(3)	17,032	*
Susan D. Goodman	583	*
Benn R. Konsynski, Ph.D.(3)	38,032	*
Daniel Okrent	9,161	*
Dennis J. Shaughnessy(3)	18,482	*
Morton F. Zifferer, Jr.(3)	38,032	*
Gerald T. Garland(4)	13,656	*
Douglas A. Rein(5)	18,726	*
Said Tofighi	278	*
David M. Young(6)	6,020	*
All directors and Named Executive Officers as a group (12 persons)(7)	1,096,018	26.1 %
<i>Principal Shareholders:</i>		
Advisory Research, Inc.(8)	629,575	14.9 %
Discovery Group I, LLC(9)	540,450	12.9 %
LSV Asset Management(10)	215,999	5.1 %

\* 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, 2006 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; 78,000 shares subject to currently exercisable stock options; 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 5,000 shares subject to currently exercisable stock options.

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

(5) Includes 10,000 shares subject to currently exercisable stock options.

(6) Includes 2,000 shares subject to currently exercisable stock options.

(7) Includes 121,000 shares subject to currently exercisable stock options.



(8) Derived from Form 13G filed by Advisory Research, Inc. on February 14, 2006. Advisory's address is 180 North Stetson Avenue, Chicago, Illinois 60601.

(9) Derived from Form 4 filed by Discovery Group I, LLC on April 27, 2006. Discovery's address is Hyatt Center, 24th Floor, 71 South Wacker Drive, Chicago, Illinois 60606.

(10) Derived from Form 13G filed by LSV Asset Management on February 10, 2006. LSV's address is 1 N. Wacker Drive, Suite 4000, Chicago, Illinois 60606.

### Equity Compensation Plan Information

The following table sets forth information as of March 26, 2006 with respect to the Company's Amended and Restated 1994 Stock and Incentive 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	588,125 (1)	\$ 3.40 (2)	487,617 (3)

(1) Includes options exercisable for an aggregate of 160,000 shares of common stock, and an aggregate of 428,125 shares of common stock subject to issuance pursuant to performance stock units, or PSUs, in each case granted pursuant to the Amended and Restated 1994 Stock and Incentive Plan (1994 Plan). Of the 428,125 shares subject to issuance pursuant to PSUs, 93,359 shares have been earned and will be issued on or about May 1, 2007 and 2008, provided that the respective participants remain employed by or associated with the Company on each of these issue dates. The remaining 334,766 shares not earned to date may be earned depending upon: (1) whether cumulative and/or annual earnings per share performance of the Company over fiscal years 2005, 2006 and 2007, as applicable to the respective PSUs, reaches or exceeds at least the threshold performance targets; (2) the extent to which current participants meet applicable individual performance goals; and (3) whether the respective participants remain employed by or associated with the Company for all or a portion of the period ended May 2008. Does not reflect additional PSUs issued on May 4, 2006 which provide participants with the opportunity to earn up to an aggregate of 150,000 additional shares of the Company's common stock on the basis of fiscal year 2007 individual and Company performance, and provided the respective participants remain employed by or associated with the Company through the issue date for any shares earned.

(2) Reflects a weighted average exercise price of \$12.51 per share for 160,000 issued and outstanding options, and no exercise price per share to be paid for shares issuable pursuant to PSUs.

(3) Includes 159,596 shares of common stock available for purchase under the Company's Team Member Stock Purchase Plan and 328,021 shares remaining available for issuance pursuant to future award grants under the 1994 Plan. Does not reflect PSUs issued on May 4, 2006 pursuant to the 1994 Plan, which provide participants with the opportunity to earn up to an aggregate of 150,000 additional shares of the Company's common stock.

**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 years 2006, 2005 and 2004 and the Company's other four most highly compensated executive officers at fiscal year end 2006 (the Named Executive Officers. )

Name and Principal Position	Fiscal Year	Annual Compensation		Long-Term Compensation Awards		Payouts LTIP Payouts (\$)	All Other Compensation (\$)
		Salary (\$)	Bonus (\$)(1)	Options (# of Shares)	Restricted Stock (\$)		
Robert B. Barnhill Jr., Chairman of the Board, President and Chief Executive Officer	2006	450,000	330,000		236,623 (2)	4,446 (3)	141,244 (6)
	2005	450,000	180,000		159,954 (4)	53,328 (5)	79,749 (6)
	2004	450,000	100,000				307,358 (6)
Gerald T. Garland Senior Vice President, Solutions Development and Product Management	2006	228,846	118,000		69,837 (2)	6,450 (3)	1,853 (7)
	2005	200,000	85,000		133,312 (4)	44,442 (5)	2,204 (7)
	2004	180,385	65,000	10,000			
Douglas A. Rein, Senior Vice President, Fulfillment and Operations	2006	225,000	75,000		62,495 (2)	6,195 (3)	1,400 (8)
	2005	210,577	50,000		106,641 (4)	35,542 (5)	2,088 (8)
	2004	200,000	33,300				15,678 (8)
Said Tofighi, Senior Vice President, Customer Supply Chain	2006	172,115	75,000		62,804 (2)	2,933 (3)	1,377 (9)
	2005	150,000	35,000		40,000 (4)	13,328 (5)	1,700 (9)
	2004	150,000	15,285				9,696 (9)
David M. Young Senior Vice President, Chief Financial Officer and Corporate Secretary	2006	172,885	82,000		62,731 (2)	2,897 (3)	1,401 (10)
	2005	128,462	38,000		49,992 (4)	16,664 (5)	1,603 (10)
	2004	125,000	12,488				5,146 (10)

(1) Represents bonuses paid pursuant to the Company's Officers' Reward for Results Program.

(2) Represents the dollar value of stock awards pursuant to Performance Stock Units (PSUs), under the Company's Amended and Restated 1994 Stock and Incentive Plan (1994 Plan), including:

- shares earned but not yet issued on the basis of annual and cumulative performance at fiscal year end 2006 pursuant to fiscal year 2005 PSU grants having a three-year performance cycle, (in the case of Mr. Barnhill 487 shares, Mr. Garland 708 shares, Mr. Rein 680 shares, Mr. Tofighi 322 shares and Mr. Young 318 shares), which will be issued in equal annual installments on or about May 1, 2007 and 2008, provided the participant remains employed by or associated with the Company on each of these issue dates (shares earned and issued on the basis of annual and cumulative performance at fiscal year end 2006 pursuant to fiscal year 2005 PSU grants having a 3-year performance cycle are shown as LTIP Payouts and discussed in footnote 3 below).
- shares earned on the basis of annual performance for fiscal year 2006 pursuant to fiscal year 2006 PSU grants having a one-year performance cycle (in the case of Mr. Barnhill 12,500 shares, Messrs. Garland, Tofighi and Young 3,125 shares, and Mr. Rein 2,750 shares), one-third of which have been issued and the remainder of which will be issued in equal annual installments on or about May 1, 2007 and 2008, provided the participant remains employed by or associated with the Company on each of these issue dates.

The number and dollar value of all shares earned in fiscal years 2005 and 2006 with respect to PSUs, but not issued effective as of March 26, 2006, are in the case of Mr. Barnhill, 16,045 shares valued at \$292,340, Mr. Garland 8,811 shares valued at \$160,536, Mr. Rein 7,330 shares valued at \$133,553, Mr. Tofighi 4,212 shares valued at \$76,743 and Mr. Young 4,659 shares valued at \$84,887. The restrictions lapse and share certificates will be delivered in part on or about each of May 1, 2007 and 2008, provided the participant remains employed by or associated with the Company on each of these issue dates.

Values of stock awards are based on the closing price of the Company's Common Stock on the Nasdaq Stock Market on March 24, 2006, of \$18.22 per share.

(3) Represents the dollar value of stock awards issued on the basis of annual and/or cumulative performance at fiscal year end 2006, pursuant to fiscal year 2005 PSU grants under the 1994 Plan having a three-year performance cycle, (in the case of Mr. Barnhill 244 shares, Mr. Garland 354 shares, Mr. Rein 340 shares, Mr. Tofighi 161 shares and Mr. Young 159 shares), and in each case representing one-third of the shares earned on the basis of annual and/or cumulative performance at fiscal year end



2006 (the remaining earned but not yet issued shares will be issued in equal annual installments on or about May 1, 2007 and 2008, provided the participant remains employed by or associated with the Company on each of these issue dates). Dollar values of stock awards are based on the closing price of the Company's Common Stock on the Nasdaq Stock Market on March 24, 2006, of \$18.22 per share.

(4) Represents the dollar value of stock awards earned on the basis of fiscal year 2005 performance pursuant to fiscal year 2005 PSU grants having a three-year performance cycle, but not issued for fiscal year 2005 (in the case of Mr. Barnhill 10,837 shares, Mr. Garland 9,032 shares, Mr. Rein 7,225 shares, Mr. Tofighi 2,710 shares and Mr. Young 3,387). These shares were or will be issued in equal annual installments on or about May 1, 2006, 2007 and 2008, provided that the participant remained or remains employed by or associated with the Company on each of these issue dates, and together with the shares identified in footnote 5 below, represent the aggregate number of shares earned by each participant for fiscal year 2005 performance pursuant to these PSU grants, without regard to time vesting or issuance. Values are based on the closing price of the Company's Common Stock on the Nasdaq Stock Market on March 24, 2005, of \$14.76 per share.

(5) Represents the dollar value of stock awards vested and issued on the basis of fiscal year 2005 performance pursuant to fiscal year 2005 PSU grants having a three-year performance cycle (in the case of Mr. Barnhill 3,613 shares, Mr. Garland 3,011 shares, Mr. Rein 2,408 shares Mr. Tofighi 903 shares and Mr. Young 1,129 shares). These shares, together with the shares identified in footnote 4 above, represent the aggregate number of shares earned pursuant to fiscal year 2005 PSU grants at fiscal year end 2005 by each participant on the basis of fiscal year 2005 performance, without regard to time vesting or issuance. Values are based on the closing price of the Company's Common Stock on the Nasdaq Stock Market on March 24, 2005, of \$14.76 per share.

(6) Includes (i) premiums in the amount of \$12,500 for a life insurance policy; (ii) payments made to Mr. Barnhill in lieu of split-dollar insurance policy cancelled in 2003 in the amount of \$48,750, \$65,000 and \$65,000 for fiscal years 2004, 2005 and 2006, respectively; (iii) \$2,928, \$2,249 and \$1,818 allocated to Mr. Barnhill's Retirement Savings Plan account in fiscal years 2004, 2005 and 2006, respectively; and (iv) \$243,180 paid under the Company's Stock Option Repurchase Program during fiscal year 2004. Fiscal year 2006 also includes membership fees to various organizations that are used either exclusively for, or primarily for corporate development and business generation purposes. Total membership fees totaled \$61,926 in fiscal year 2006 and include annual dues of \$11,000 and a one-time assessment of \$32,500 paid to a club that certain employees use for business generation and corporate purposes. This particular club requires that a specific individual be designated as the member, even though this is a corporate membership. Currently, Mr. Barnhill is designated as that member. This amount does not include a \$40,995 insurance premium payment by the Company for fiscal years 2004, 2005 and 2006, 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.

(7) Represents amounts allocated to Mr. Garland's Retirement Savings Plan Account.

(8) Represents \$1,178, \$2,088 and \$1,400 allocated to Mr. Rein's Retirement Savings Plan Account for fiscal years 2004, 2005 and 2006, respectively; and \$14,500 paid under the Company's Stock Option Repurchase Program during fiscal year 2004.

(9) Represents \$996, \$1,700 and \$1,377 allocated to Mr. Tofighi's Retirement Savings Plan Account for fiscal years 2004, 2005 and 2006, respectively; and \$8,700 paid under the Company's Stock Option Repurchase Program during fiscal year 2004.

(10) Represents \$866, \$1,603 and \$1,401 allocated to Mr. Young's Retirement Savings Plan Account for fiscal years 2004, 2005 and 2006, respectively; and \$4,280 paid under the Company's Stock Option Repurchase Program during fiscal year 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 is eligible for additional cash bonuses in accordance with the Company's 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 upon 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 had 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 then 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 to terminate the split-dollar arrangement, and in order to afford Mr. Barnhill an equivalent after-tax benefit, to amend the employment agreement to provide for an additional annual payment 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.

The Compensation Committee is currently considering possible changes to Mr. Barnhill's employment arrangements. At present, the Committee's focus is to update Mr. Barnhill's annual base salary (which has not changed since 2000) and to provide for an extended employment term to better assure Mr. Barnhill's active long-range participation in the pursuit of initiatives currently underway, the development and execution of new initiatives and the formulation and implementation of a leadership succession and transition plan.

*Senior Vice Presidents.* The Company is also party to employment letter agreements with each of its Senior Vice Presidents. Each is entitled to receive performance based bonuses in accordance with the Company's Reward for Results Program, and is provided severance payments of up to six 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 year 2006 totaled \$129,000.

The Company maintains a nonqualified deferred compensation plan for directors and certain management personnel. Effective January 1, 2005, the plan was closed to all new contributions and balances then existing remain as plan assets under the prior plan structure. All plan assets are held in an irrevocable Rabbi trust. The Company made no contributions to the plan; contributions were made solely by the individual participants.

#### **Stock-Based Compensation Plans**

The Company's Amended and Restated 1994 Stock and Incentive Plan (1994 Plan) provides for the grant or award to regular full-time employees (including officers) and non-employee 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. The maximum number of shares of Common Stock issuable pursuant to 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, 2006, 87,249 shares of common stock had been issued to participants pursuant to Performance Stock Units (PSUs) previously granted, and as of that same date 578,125 additional shares of the Company's Common Stock remained subject to issuance pursuant to outstanding PSUs (including PSU grants totaling 150,000 shares made in May 2006). Also as of June 1, 2006, options for 169,105 shares had been granted and exercised and options for 160,000 shares had been granted and remained outstanding (i.e., had not lapsed, been cancelled, repurchased or expired), under the 1994 Plan. Accordingly, as of June 1, 2006, the number of shares of Common Stock available for future award grants under the 1994 Plan was 178,021. The shares of Common Stock underlying any awards granted under the 1994 Plan that either expire or 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.

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.

The Company also formerly maintained the 1984 Employee Incentive Stock Option Plan (1984 Plan), which provided for the grant of options to acquire up to an aggregate of 401,250 shares of Common Stock. As of June 1, 2006, options for 361,750 shares had been granted and exercised and no options remained outstanding under the 1984 Plan. No further grants are permitted 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 year 2006, 1,887 shares were sold to employees under this plan.

#### 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 year 2006 for the Named Executive Officers.

Name	Shares Acquired On Exercise	Value Realized \$(1)	Number of Securities Underlying Unexercised Options at Fiscal Year-end		Value of Unexercised In-the-Money Options at Fiscal Year-end (\$)	
			Exercisable/ Unexercisable	Exercisable/ Unexercisable(2)		
Robert B. Barnhill, Jr.			74,000 /	16,000	370,090 /	143,560
Gerald T. Garland			3,000 /	7,000	34,950 /	81,550
Douglas A. Rein			10,000 /		66,200 /	
Said Tofighi	3,000	20,070		/		/
David M. Young			2,000 /		13,240 /	

(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 unexercised options reflected in the above table were issued pursuant to the Amended and Restated 1994 Stock and Incentive Plan.

(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 24, 2006 of \$18.22 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 Compensation Committee Report on Executive Compensation, Stock Performance Graph and Report of the Audit Committee 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**

### **Overview**

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. 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 Committee's charter reflects these various responsibilities and the Committee and the Board periodically review and revise the charter. The Board determines the Committee's membership, which is composed entirely of independent directors.

The general compensation philosophy at TESSCO is that total compensation should vary with TESSCO's performance in achieving certain financial and non-financial objectives. This philosophy applies to all TESSCO team members, with a more significant amount of compensation at risk as the level of responsibility increases.

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.

### **Components of Total Compensation**

Total compensation for executive officers generally consists of the following components:

- Annual base salary
- Annual Value Share
- Performance Stock Award Program
- Company matches to the 401(k) Savings Plan
- Team Member Stock Purchase Plan
- Company paid life insurance premiums



In addition, prior to fiscal year 2005, the executive compensation philosophy also included providing long-term equity incentives through the grant of stock options. Stock options generally had exercise prices equal to the market price of the Company's Common Stock on the date of grant and a six- to ten-year term. Some stock options previously issued remain outstanding, but because of the Committee's desire to move away from stock options as a form of long-term equity incentives, no stock options have been granted since May 2003.

*Base Salary*

The Committee periodically reviews the base salaries of all of the executive officers. Base salaries are determined by the committee after consideration of each individual's responsibility and competitive pay practices. Once fixed, the base salary is not affected by TESSCO's performance.

*Annual Value Share*

This annual cash incentive is available for all TESSCO team members, including the executive officers, and is determined entirely on the basis of Company, unit and individual performance, as measured against performance targets established early in the fiscal year. The performance targets are aligned with the Company's growth and diversification strategies and may include measures of earnings per share, growth in commercial buying customers, and various productivity measurements and team member survey results. In the case of executive officers, the Committee also evaluates each executive's leadership skills and contribution by considering a variety of factors including collaboration within the organization and the individual's ability to drive bottom line results.

*Performance Stock Award Program*

The Committee believes that providing equity based rewards to senior leaders and key contributors who are responsible for developing and executing the Company's growth strategies is in the best interests of all shareholders. The Committee also believes that moving the Company's equity based compensation away from stock options to performance-based and time-vested stock grants is aligned with long-term shareholder interests. To these ends, beginning in fiscal year 2005 and continuing in fiscal year 2006 the Committee granted Performance Stock Units (PSUs) under the Amended and Restated 1994 Stock and Incentive Plan.

Shares covered by the awards granted to executive officers in fiscal year 2005 can be earned if individual performance metrics and annual or cumulative earnings per share targets are met. These targets extend over a three-year performance cycle, consisting of the fiscal years ending in March 2005, 2006 and 2007. Any shares earned as of the end of a measurement period vest and are issued in equal annual installments beginning in May following the corresponding measurement period and continuing through May 2008, provided that the participant remains employed by or associated with the Company until the respective share issuance dates. The earnings per share targets for each of the three fiscal years, and cumulatively over the three-year period, were set in April 2004 and represent continual increases in annual earnings per share, after the projected impact of these grants. The internal threshold and goal targets all set in 2004 and applicable to these awards for fiscal year 2005 were \$1.02 and \$1.57, respectively, \$1.23 and \$2.30, respectively for fiscal year 2006, and \$1.59 and \$3.32, respectively for fiscal year 2007. These targets, which include the projected impact of share issuances on earnings per share, were established for internal purposes relative to the administration of these PSUs and should not be construed, and the reader is cautioned not to construe these targets, in the nature of earnings guidance.

In May 2005, the Committee granted additional PSUs that entitle executive officer participants to earn shares of the Company's Common Stock depending upon whether in fiscal year 2006 certain threshold or goal earnings per share targets were met and individual performance metrics were satisfied. In

light of developments regarding the then upcoming loss of the Company's significant affinity relationship, the Committee set the internal threshold and goal targets applicable to these awards for fiscal year 2006 at \$1.20 and \$1.50, respectively.

In May 2006, the Committee granted additional PSUs that entitle executive officer participants to earn shares of the Company's Common Stock depending upon whether in fiscal year 2007 certain threshold or goal earnings per share targets are met and individual performance metrics are satisfied. The Committee, and the full Board of Directors, view fiscal year 2007, the first full fiscal year since the transition of the significant affinity relationship, as a very important year and determined that providing incentives to key individuals in management who are expected to take on important roles in the Company's emergence from this transition is in the best interests of the Company and its shareholders. Accordingly, the internal threshold and target levels applicable to these awards for fiscal year 2007 were set by the Committee at \$1.00 and \$1.25, respectively. These targets, which include the projected impact of share issuances on earnings per share, were established for internal purposes relative to the administration of these PSUs and should not be construed, and the reader is cautioned not to construe these targets, in the nature of earnings guidance.

#### *Company Matches to the 401(k) Plan*

Eligible contributing team members, including executive officers, receive a minimum level of Company match regardless of the Company's performance and receive an additional discretionary match based on the achievement of certain performance targets that were set early in the year. Typically, this match has consisted of cash and the Company's Common Stock.

#### *Team Member Stock Purchase Plan*

This plan permits eligible team members, including executive officers, to purchase shares of the Company's Common Stock at 85% of the lower of the market price on the first day of the six-month period and the market price on the last day of the same six-month period.

#### *Company Paid Life Insurance Premiums*

The Company purchases Life Insurance Policies on all officers, including the Company's CEO and executive officers. The beneficiaries on the policies are generally family members of the individual officers.

#### **Compensation of the Chief Executive and Other Executive Officers**

The non-employee directors meet each year in executive session to evaluate the performance of the Chief Executive Officer, the results of which are used to determine his compensation. Robert B. Barnhill, Jr. founded the Company, is a major shareholder, serves as chairman, president and chief executive officer (CEO), and has been instrumental in the Company's business success.

Mr. Barnhill's base salary is currently \$450,000. His base salary has been \$450,000 since April 2000.

For fiscal year 2006, Mr. Barnhill's cash bonus target was set at 100% of his annual salary. Based on the Company's earnings per share and commercial buyer growth, as well as Mr. Barnhill's unit and individual performance, the Committee awarded Mr. Barnhill a \$330,000 Annual Value Share cash payment for fiscal year 2006, or 73% of the cash bonus target. For fiscal year 2007, the Committee again set Mr. Barnhill's cash bonus target at 100% of his base salary. Mr. Barnhill's base compensation has not increased since 2000, although as noted above, Mr. Barnhill and the Committee are currently considering possible changes to Mr. Barnhill's employment arrangements (see Employment Agreements above).

In the process of reviewing each component of Mr. Barnhill's compensation separately and in the aggregate, the Committee considers internal pay equity (the relationship between the compensation of

the CEO and that of the other executive officers). The Committee believes that the relative difference between CEO compensation and the compensation of other executive officers is reasonable.

The Committee also reviewed perquisites and other compensation paid to Mr. Barnhill for fiscal year 2006, and found these amounts to be reasonable.

In addition to review of the CEO's compensation, the Committee has reviewed all components of other executive officer compensation, and based on this review, the Committee finds the CEO's and other executive officer's total compensation in the aggregate to be reasonable and not excessive.

#### **Committee Meetings**

The Compensation Committee generally meets quarterly to discuss the status of annual reward plan calculations, proposed changes to the Company's organizational chart, and other topics. When making determinations regarding proposed changes in executive compensation, the Committee normally begins by reviewing any proposals with management. Committee members then have additional time to deliberate, ask for additional information and raise additional questions. This discussion is typically continued at a later committee meeting, after which a vote is taken.

Respectfully,

John D. Beletic  
Susan D. Goodman  
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 30, 2001 in each of the Company's Common Stock, the Russell 2000 index and peer issuers for the period March 30, 2001 to March 26, 2006. All values assume reinvestment of the pre-tax value of dividends.

**Comparison of Cumulative Total Return**

**Value of Investment of \$100 on March 30, 2001**

The peer issuers consist of the following companies engaged in the telecommunications retail and/or wholesale product distribution industry: Cellstar Corporation; Brightpoint, Inc.; 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 26, 2006.



## Report of the Audit Committee

The Audit Committee is comprised solely of directors who are independent within the meaning of the Securities and Exchange Commission rules and Rule 4200(a)(15) of the National Association of Securities Dealers listing standards. The Audit Committee operates under a written charter adopted by the Board of Directors, a copy of which, as amended to date, is attached as Appendix A. The composition of the Audit Committee, the attributes of its members and the responsibilities of the Committee, as reflected in its charter, are intended to be in accordance with applicable requirements for corporate audit committees. The Committee reviews and assesses the adequacy of its charter on an annual basis.

As described more fully in its charter, the purpose of the Audit Committee is to assist the Board of Directors in its general oversight of the Company's financial reporting, internal control and audit functions. Management is responsible for the preparation, presentation and integrity of the Company's financial statements, accounting and financial reporting principles, internal controls and procedures designed to ensure compliance with accounting standards, applicable laws and regulations. Ernst & Young LLP, the Company's independent registered public accounting firm, is responsible for performing an independent audit of the consolidated financial statements in accordance with auditing standards generally accepted in the United States.

The Audit Committee members are not professional accountants or auditors, and their functions are not intended to duplicate or to certify the activities of management and the independent auditor, nor can the Committee certify that the independent auditor is independent under applicable rules. The Committee serves a board-level oversight role, in which it provides advice, counsel and direction to management and the auditors on the basis of the information it receives, discussions with management and the auditors and the experience of the Committee's members in business, financial and accounting matters.

The Audit Committee has an agenda for the year that includes reviewing the Company's financial statements, internal control over financial reporting and disclosure and audit matters. The Audit Committee also monitors the activities and performance of the Company's external auditors, including the audit scope, external audit fees, auditor independence matters and the extent to which the independent auditor may be retained to perform non-audit services. The Audit Committee has ultimate authority and responsibility to select, evaluate and, when appropriate, replace the Company's independent auditor.

In accordance with Audit Committee policy and the requirements of law, the Audit Committee pre-approves all services to be provided by Ernst & Young LLP. Pre-approval includes audit services, audit-related services, tax services and other services. In some cases, the full Audit Committee provides pre-approval for up to a year, related to a particular defined task or scope of work and subject to a specific budget. In other cases, the Chairman of the Audit Committee has the delegated authority from the Audit Committee to pre-approve additional services, and the Chairman then communicates such pre-approvals to the full Audit Committee. See Principal Accountant Fees and Services below for more information regarding fees paid to Ernst & Young LLP for services in fiscal years 2006 and 2005.

The Audit Committee meets each quarter with Ernst & Young LLP and management to review the Company's interim financial results before the publication of TESSCO's quarterly earnings press releases. Management's and the independent registered public accounting firm's presentations to and discussions with the Audit Committee cover various topics and events that may have significant financial impact and/or are the subject of discussions between management and the independent firm. In addition, the Audit Committee generally oversees internal compliance programs. In accordance with law, the Audit Committee is responsible for establishing procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, including the confidential, anonymous submission by Company team members, received through established procedures, of any concerns regarding questionable accounting or auditing matters.

The Committee has reviewed and discussed the fiscal year ended March 26, 2006 consolidated financial statements with management and Ernst & Young LLP, as the Company's independent registered public accounting firm for that period. Management represented to the Committee that these consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States, and Ernst & Young LLP as the Company's independent registered public accounting firm represented that its presentations included the matters required to be discussed with the independent auditor by Statement on Auditing Standards No. 61, as amended, Communication with Audit Committee.

The Company's independent auditor for fiscal year ended March 26, 2006, Ernst & Young LLP, also provided the Committee with the written disclosures and letter required by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees, and the Committee discussed with the independent auditor that firm's independence.

Following the Committee's discussions with management and the independent auditor, the Committee recommended that the Board of Directors include the audited consolidated financial statements in the Company's annual report on Form 10-K for the year ended March 26, 2006.

Respectfully,

Jerome C. Eppler  
 Benn R. Konsynski, Ph.D.  
 Morton F. Zifferer, Jr.

#### Principal Accountant Fees and Services

The following table shows the fees paid or accrued by the Company for the audit and other services provided by Ernst & Young LLP for fiscal years 2006 and 2005:

	2006	2005
Audit Fees(1)	\$ 251,400	\$ 278,707
Audit Related Fees(2)	6,300	13,073
Tax Fees(3)	53,918	47,147
All Other Fees		
<b>Total</b>	<b>\$ 311,618</b>	<b>\$ 338,927</b>

(1) Audit services of Ernst & Young LLP for fiscal years 2006 and 2005 consisted of the examination of the consolidated financial statements of the Company, quarterly review of financial statements and advisory services on technical issues related to the audit.

(2) These fees represent advisory services and review of documentation related to the Company's internal controls over financial reporting.

(3) Represents fees for tax preparation and federal, state and local tax matters. The Audit Committee considered whether the provision by Ernst & Young LLP of non-audit services to the Company is compatible with maintaining the independence of Ernst & Young LLP with respect to the Company.

Pursuant to the Company's Audit Committee Charter, all audit services and permitted non-audit services to be performed for the Company by its outside auditor are approved by the Audit Committee. The Committee has delegated authority to one or more members to pre-approve audit and permitted non-audit services (including pre-approval of fees), provided that the approvals granted by such persons

are reviewed with the full Committee at its next scheduled meeting. All fees incurred in fiscal years 2006 and 2005 and reflected in the table above were pre-approved.

#### **Compensation Committee Interlocks and Insider Participation**

There are no interlocks (as defined by the rules of the Securities and Exchange Commission) with respect to any member of the Compensation Committee of the Board of Directors, and the Compensation Committee consists entirely of independent, non-employee directors.

#### **Code of Business Conduct and Ethics**

We have adopted a code of business conduct and ethics that applies to our team members, including all of our officers and directors, and particularly our chief executive officer, chief financial officer, principal accounting officer and other persons performing similar functions. This code is available on our Web site (<http://www.tessco.com>) under the heading Corporate - Shareowners. We will promptly disclose on our Web site any amendments to, and waivers from, our code of business conduct and ethics, if and when required.

#### **Section 16(A)**

##### **Beneficial Ownership Reporting Compliance**

Section 16(a) of the Securities Exchange Act of 1934 requires our executive officers and directors, and persons who own more than 10% of a registered class of our equity securities, to file with the Securities and Exchange Commission initial reports of ownership and reports of changes in ownership of our common stock. Insiders are required by regulation of the Securities and Exchange Commission to furnish us with copies of all Section 16(a) forms they file.

To our knowledge, based solely upon the review of the copies of such reports furnished to us or written representations that no other reports were required during the fiscal year ended March 26, 2006, all of these executive officers and directors complied with all Section 16(a) filing requirements applicable to them, except one late Form 4 filing for Dennis Shaughnessy. This Form 4 was filed one day late as a result of a change in Mr. Shaughnessy's electronic filing codes which was discovered at the time a timely filing was attempted.

#### **Shareholder Proposals for the 2007 Annual Meeting**

Any shareholder proposal intended for inclusion in the proxy material for the 2007 Annual Meeting of Shareholders must be received in writing by the Company, at the address set forth on the first page of this Proxy Statement, on or before February 17, 2007. Any such proposal will be subject to the requirements of Exchange Act Rule 14a-8.

If a shareholder intends to submit a proposal at the 2007 Annual Meeting that is not eligible or submitted for inclusion in the proxy statement and proxy, the shareholder must do so no later than May 3, 2007. If such a shareholder fails to comply with the foregoing notice provision, the proxy holders will be allowed to use their discretionary authority when the proposal is raised at the 2007 Annual Meeting.

#### **Other Matters**

As of the date of this Proxy Statement, the Board of Directors of the Company knows of no other business that will be presented for consideration at the Annual Meeting. Delivery of a proxy, however, confers on the designated proxy, discretionary authority to vote the shares in accordance with their discretion on such other business, if any, that may properly come before the Annual Meeting or any adjournments thereof.

**Available Information**

The Company is subject to the informational requirements of the Securities Exchange Act of 1934 and, in accordance therewith, files reports, proxy statements and other information with the Securities and Exchange Commission. Reports, proxy statements and other information filed by the Company may be inspected without charge and copies obtained upon payment of prescribed fees from the Public Reference Section of the Securities and Exchange Commission at Room 1024, Judiciary Plaza, 100 F Street, NE, Washington, D.C. 20549, or by calling the Securities and Exchange Commission at 1-800-SEC-0330, or by way of the Securities and Exchange Commission's Internet address, <http://www.sec.gov>.

The Company will provide without charge to each person receiving this proxy statement, upon the written request of such person, a copy of the Company's Annual Report on Form 10-K, including the financial statements and schedules thereto, required to be filed with the Securities and Exchange Commission for the fiscal year ended March 26, 2006. Written requests for a copy of the Company's Annual Report on Form 10-K should be directed to David M. Young, Corporate Secretary, 11126 McCormick Road, Hunt Valley, Maryland 21031.

By Order of the Board of Directors,

David M. Young  
Corporate Secretary

June 19, 2006

22

---

## Appendix A

### TESSCO Technologies Incorporated

#### Audit Committee Charter

##### PURPOSE

The Audit Committee (the "Committee") is a committee of the Board of Directors (the "Board") of TESSCO Technologies Incorporated (the "Company"). Its primary function is to assist the Board in fulfilling its oversight responsibilities by reviewing the financial information which will be provided to the shareholders and others, the systems of internal controls which management and the Board have established and the audit process. In doing so, it is the responsibility of the Committee to provide an open avenue of communication between the Board, management and the outside auditors.

##### ORGANIZATION

- a. Members of the Committee shall be appointed by the Board. Each member shall serve until the earlier to occur of the date on which he or she shall (1) be replaced by the Board; (2) resign from the Committee; or (3) resign from the Board.
  - b. The Committee shall have at least three (3) members and shall be comprised solely of independent directors (except as otherwise permitted by applicable law, rule or regulation). Each member shall be able to read and understand fundamental financial statements, including the Company's balance sheet, income statement and cash flow statement or will be able to do so within a reasonable period of time after his or her appointment to the Committee.
  - c. At least one member of the Committee shall have past employment experience in finance or accounting, requisite professional certification in accounting or any other comparable experience or background which results in the individual's financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities.
  - d. As used in this charter, "independent director" means a director who is not an officer or employee of the Company or its subsidiaries and does not have a relationship which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. The following persons shall not be considered independent:
    1. a director who is employed by the Company or any parent or subsidiary of the Company for the current year or any of the past three (3) years;
    2. a director who accepted, directly or indirectly, any consulting, advisory or other compensatory fee from the Company or any subsidiary during the previous fiscal year, other than compensation for board service, benefits under a tax-qualified retirement plan or non-discretionary compensation;
    3. a director who is a member of the immediate family of an individual who is, or has been in any of the past three (3), years employed by the Company or any by any parent or subsidiary of the Company as an executive officer. Immediate family includes a person's spouse, parents, children, siblings, mother-in-law, father-in-law, brother-in-law, sister-in-law, son-in-law, daughter-in-law or anyone who resides in such person's home;
    4. a director who is affiliated with a significant customer or supplier of the company;
    5. a director who is employed as an executive of another entity where any of the Company's executives serve on that entity's compensation committee; and
    6. a director who is, or has an immediate family member who is, a current partner of the Company's outside auditor, or was a partner or employee of the Company's outside auditor who worked on the Company's audit at any time during any of the past three (3) years.
-

e. The Board shall appoint one of the members of the Committee as Chairperson. It is the responsibility of the Chairperson to schedule all meetings of the Committee and provide the Committee with a written agenda for all meetings.

#### **RIGHTS AND RESPONSIBILITIES**

a. General

1. The Committee shall have the power to conduct or authorize investigations into any matter within the Committee's scope of responsibilities with full power to retain independent counsel and/or other advisors for this purpose. The Committee shall have unrestricted access to members of management and all information relevant to its responsibilities.
2. The Committee shall meet at least four (4) times per year or more frequently as circumstances require. The Committee may ask members of management or others to attend meetings and provide pertinent information as necessary.
3. The Committee shall report its actions to the Board with such recommendations as the Committee may deem appropriate and issue all required reports, including the report required by the Securities and Exchange Commission (the "SEC") to be included in the Company's annual proxy.
4. The Committee shall review and reassess the adequacy of this charter at least annually.
5. The Committee shall meet with the outside auditor, in separate executive sessions, to discuss any matters that the Committee or the outside auditor believe should be discussed privately.
6. The Committee shall ensure the establishment of and periodically review procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters and adopt, as necessary, appropriate remedial measures or actions with respect to such complaints or concerns.
7. The Committee shall perform such other functions required by law, the Company's charter, the bylaws or the Board.
8. The Company shall provide appropriate funding as determined by the Committee to permit the Committee to perform its duties under this charter and to compensate its advisors.
9. The Committee shall perform an evaluation of its performance at least annually to determine whether it is functioning effectively.

b. Internal Controls and Risk Assessment

1. The Committee shall consider and review with management and the outside auditor the effectiveness of or weaknesses in the Company's internal controls, including computerized information system controls and security, the overall control environment, including the tone at the top, and accounting and financial controls.
  2. The Committee shall consider and review with management and the outside auditor any related significant findings and recommendations of the outside auditor, together with management's responses thereto.
  3. The Committee shall discuss the Company's policies and procedures with respect to risk assessment and risk management. The Committee also shall discuss the Company's major financial risk exposure and the steps management has taken to monitor and control such exposure.
  4. The Committee shall review with management the Company's overall anti-fraud programs and controls.
-

c. Outside Auditor

1. The Committee has the sole authority and responsibility to appoint, select, engage, evaluate, oversee and, where appropriate, replace the outside auditor (or to nominate the outside auditor to be proposed for the shareholder approval in any proxy statement).
2. The outside auditor's ultimate accountability is to the Board and the Committee, as representatives of the shareholders.
3. The Committee shall review and approve the discharge of the outside auditor.
4. The Committee shall review the scope and approach of the annual audit with the outside auditor.
5. The Committee shall instruct the outside auditor to communicate directly to the Committee any serious difficulties or disputes with management.
6. The Committee shall receive from the outside auditor a formal written statement delineating all relationships between the outside auditor and the Company, consistent with applicable standards. The statement shall include a description of all services provided by the outside auditor and the related fees.
7. The Committee shall actively engage in a dialogue with the outside auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the outside auditor.
8. The Committee shall take appropriate action to oversee the independence of the outside auditor.
9. The Committee shall pre-approve all audit services and permitted non-audit services to be performed for the Company by its outside auditor. The Committee shall also be responsible for approving the fees to be paid to the outside auditor for their services. The Committee may delegate authority to one or more members of the Committee to pre-approve audit and permitted non-audit services (including pre-approval of fees), provided that the approvals granted by such persons are reviewed with the full Committee at its next scheduled meeting.
10. The outside auditor shall not be engaged to perform any non-audit services proscribed by law or SEC regulation.

d. Financial Reporting

Prior to the filing of quarterly and annual financial statements, and in conjunction with the annual audit and quarterly review performed by the outside auditor, the Committee shall review with management and the outside auditor:

1. The Company's annual financial statements and related footnotes.
  2. The outside auditor's audit of the financial statements and related report thereon.
  3. Any significant changes required in the outside auditor's plan.
  4. Any significant difficulties or disputes with management encountered during the course of the annual audit or quarterly review.
  5. The existence of significant estimates and judgments underlying the financial statements, including the rationale behind those estimates as well as the details on material accruals and reserves, and the Company's accounting principles.
  6. The overall quality, not just the acceptability, of the Company's accounting principles as applied in its financial reporting.
-

7. The effect of new or proposed regulatory and accounting initiatives, as well as off-balance sheet structures, on the Company's financial statements and other public disclosures.
  8. Any major issues as to the adequacy of the Company's internal controls.
  9. Any material correcting adjustments that have been identified by the outside auditor, and any material unadjusted differences.
  10. Other matters related to the conduct of the audit, which are to be communicated to the Committee under generally accepted auditing standards.
- e. Compliance with Laws and Regulations
1. The Committee shall ascertain whether the Company has an effective process for determining risks and exposures from asserted and unasserted litigation and claims and from noncompliance with laws and regulations.
  2. The Committee shall review with the Company's counsel and others any legal, tax or regulatory matters that may have a material impact on the Company operations and the financial statements, related Company compliance policies, and programs and reports received from regulators.
-



THIS PROXY, WILL BE VOTED IN THE MANNER DIRECTED HEREIN BY THE PERSON SIGNING IT. IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR ALL NOMINEES NAMED BELOW FOR ELECTION AS DIRECTORS, FOR THE RATIFICATION OF THE SELECTION OF ERNST & YOUNG LLP AS INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM, AND IN THE DISCRETION OF THE PROXY HOLDER ON ANY OTHER MATTER THAT MAY PROPERLY COME BEFORE THE MEETING OR ANY ADJOURNMENT OR POSTPONEMENT THEREOF.

Please mark your votes as indicated in this example

The Board of Directors recommends a vote FOR all nominees named in Proposal 1, and FOR Proposal 2.

1. Proposal 1: To elect three (3) directors for a three (3) year term ending at the Annual Meeting of Shareholders to be held in 2009 and until their respective successors are duly elected and qualify.

FOR all nominees listed below  
(except as marked to the contrary)

WITHHOLD AUTHORITY to  
vote for all nominees listed below

Nominees:

01 John D. Beletic

02 Daniel Okrent

03 Morton F. Zifferer, Jr.

INSTRUCTION: To withhold authority to vote for any individual nominee(s), strike a line through the name of the nominee(s) above.

2. Proposal 2: To ratify the selection of Ernst & Young LLP as the Company's independent registered public accounting firm for fiscal year 2007.

FOR

AGAINST

ABSTAIN

The proxies named herein are hereby authorized to vote in their discretion upon any other matter which may properly come before the Annual Meeting or any adjournment or postponement thereof, including any proposal presented for any adjournment of the meeting.

Edgar Filing: TESSCO TECHNOLOGIES INC - Form DEF 14A

Receipt of notice of the meeting and proxy statement is hereby acknowledged, and the terms of the notice and proxy statement are hereby incorporated by reference into this proxy. The undersigned hereby revokes all proxies heretofore given for said meeting or any adjournment or postponement thereof.

(Please sign, date and promptly return this proxy in the enclosed envelope. No postage is required if mailed in the United States.)

Signature

Signature

Date

(Please sign exactly as your name appears hereon. Executors, administrators, guardians, officers signing for corporations, trustees and attorneys should give full title. For joint owners, both owners should sign.)

/

FOLD AND DETACH HERE

/

Vote by Internet or Telephone or Mail  
24 Hours a Day, 7 Days a Week

Internet and telephone voting is available through 11:59 PM Eastern Time  
the day prior to annual meeting day.

Your Internet or telephone vote authorizes the named proxies to vote your shares  
in the same manner as if you marked, signed and returned your proxy card.

Internet

<http://www.proxyvoting.com/tess>

Use the Internet to vote your  
proxy. Have your proxy card in  
hand when you access the web  
site.

Telephone

1-866-540-5760

OR Use any touch-tone telephone to vote  
your proxy. Have your proxy card in  
hand when you call.

Mail

OR Mark, sign and date your proxy card and  
return it in the enclosed postage-paid  
envelope.

If you vote your proxy by Internet or by telephone,  
you do NOT need to mail back your proxy card.

---

TESSCO TECHNOLOGIES INCORPORATED

ANNUAL MEETING OF SHAREHOLDERS, July 20, 2006  
PROXY SOLICITED BY THE BOARD OF DIRECTORS

The undersigned hereby appoints ROBERT B. BARNHILL, JR. and DAVID M. YOUNG, and each of them, with full power of substitution to each, as proxy, to vote all shares which the undersigned is entitled to vote at the Annual Meeting of Shareholders of TESSCO Technologies Incorporated to be held Thursday, July 20, 2006 at 9:00 a.m., at the Company's offices located at 375 West Padonia Road, Timonium, Maryland 21093 and at any adjournment or postponement thereof.

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS. IT MAY BE REVOKED AT ANY TIME PRIOR TO ITS EXERCISE BY SENDING WRITTEN NOTICE TO THE SECRETARY OF THE COMPANY, BY TIMELY PROVIDING A LATER-DATED PROXY OR BY ATTENDING THE MEETING AND VOTING IN PERSON.

/

FOLD AND DETACH HERE

/