EATON CORP
Form 4
November 28, 2007

FORM 4

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

OMB APPROVAL

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
SWEETNAM JAMES E

(Last) (First) (Middle)

EATON CENTER, 1111 SUPERIOR AVE

(Street)

CLEVELAND, OH 44114

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
EATON CORP [ETN]

3. Date of Earliest Transaction (Month/Day/Year)
11/26/2007

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Sr VP and President - Truck

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Shares	11/26/2007	(1)	S		100	D	$ 89	36,265	D	
Common Shares	11/26/2007	(1)	S		200	D	$ 89.01	36,065	D	
Common Shares	11/26/2007	(1)	S		100	D	$ 88.6	35,965	D	
Common Shares								317.243 (2)	I	by trustee of ESP

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
SWEETNAM JAMES E EATON CENTER 1111 SUPERIOR AVE CLEVELAND, OH 44114			Sr VP and President - Truck	

Signatures

/s/ Kathleen S. O'Connor, as Attorney-in-Fact	11/28/2007
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) This field is not applicable.

(2) These shares are held in the Eaton Savings Plan.

Remarks:

This is form 2 of 2.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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Less accumulated depreciation and amortization

(42,871,500)

(38,565,400)

Property and equipment, net

$

19,895,400

$

21,111,800

Depreciation and amortization of property and equipment was $4,730,000, $4,583,600, and $4,852,800 for fiscal years 2016, 2015 and 2014, respectively.

Capitalized internally developed computer software, net of accumulated amortization, as of March 27, 2016 and March 29, 2015 was $2,212,400 and $844,000, respectively. Amortization expense of capitalized internally developed computer software was $1,194,200, $797,800, and $980,300 for fiscal years 2016, 2015, and 2014.

Note 5. Goodwill and Other Intangible Assets

Other intangible assets, which are included in other long-term assets on the accompanying Consolidated Balance Sheets as of March 27, 2016 and March 29, 2015, consists of indefinite lived intangible assets in the amount of $850,000. Amortization expense relating to other intangible assets was $12,300 for fiscal year 2014. At March 27, 2016 and March

50

Table of Contents

29, 2015, amortizable intangible assets were fully amortized. There were no changes in the carrying amount of goodwill for the fiscal years ended March 27, 2016 and March 29, 2015.

Note 6. Accrued expenses and other current liabilities

Accrued expenses and other current liabilities consisted of the following:

	March 27, 2016	March 29, 2015
Deferred Revenue	$ 2,136,600	$ 6,959,300
Other Accrued Expenses	1,737,500	1,729,200
Total Accrued Expenses	$ 3,874,100	$ 8,688,500

Note 7. Borrowings Under Revolving Credit Facility

On May 31, 2007, pursuant to a Credit Agreement, the Company established a revolving credit facility with both Wells Fargo Bank, National Association and SunTrust Bank. The facility is unsecured and provides for monthly payments of interest accruing at a rate of LIBOR plus an applicable margin. The terms of the revolving credit facility require the Company to meet certain financial covenants and ratios and contain other limitations, including certain restrictions on dividend payments. Borrowing availability under the facility is also subject to a borrowing base, based on levels of trade accounts receivable and inventory. This credit facility has been amended several times, most recently on September 24, 2015 (the Tenth Modification Agreement). Currently the credit facility has a maximum borrowing limit of $35.0 million and has a term expiring in October 2018. In addition, the credit facility now contains an accordion feature that permits the lenders' aggregate commitment to be increased to a maximum of $45.0 million, subject to lenders' discretion and other customary conditions. The amount of dividend payments allowed to be made by the Company under the Credit Facility is $9.0 million in any 12 month period. The dollar amount of stock repurchases permitted under the term of the credit facility is $30.0 million. As of March 27, 2016, the Company had the ability to purchase approximately $11.7 million in additional shares of common stock without violating this covenant. The financial covenants included in the Credit Agreement for the unsecured revolving credit facility are also applicable to the Company's existing term loan (see Note 8) with the same lenders. Accordingly, any amendment to the financial covenants in the Credit Agreement also has the effect of amending the financial covenants applicable to the term loan.

The facility provides for monthly payments of interest accruing at a rate of LIBOR plus an applicable margin ranging from 1.50% to 2.50%. The weighted average interest rate on borrowings under the Company's revolving credit facilities was 1.69%, 1.65%, and 2.35% for fiscal years 2016, 2015, and 2014, respectively. Interest expense on this revolving credit facility for fiscal years 2016, 2015, and 2014 totaled $59,000, $78,200, and $53,400, respectively. Average borrowings under this revolving credit facility totaled $3,454,500, $4,672,300, and $2,243,900 and maximum borrowings totaled $12,301,100, $17,331,900, and $13,467,000, for fiscal years 2016, 2015, and 2014, respectively.

As of March 27, 2016 and March 29, 2015, the Company had no outstanding balance on its revolving credit facility. Therefore, the Company had $35.0 million available on its revolving line of credit facility as of both March 27, 2016 and March 29, 2015.

The Company was in compliance with the terms and financial covenants applicable to each of the revolving credit facility and term loan facility at the end of fiscal years 2016, 2015, and 2014.

Note 8. Long-Term Debt

On June 30, 2004, the Company refinanced its previously existing term loan with a bank. The original principal amount of the loan was $4.5 million, payable in monthly installments of principal and interest with the balance due at the initial maturity date, June 30, 2011. On October 7, 2015, the Company entered into an agreement with Wells Fargo Bank, National Association, and SunTrust Bank, to extend the maturity date of the existing term loan to October 1, 2020. The interest rate on this term loan is LIBOR plus 2.00%. The note is secured by a first position deed of trust encumbering Company-owned real property in Hunt Valley, Maryland. The loan is generally subject to the same financial covenants as

51

Table of Contents

the Company’s revolving credit facility (see Note 7), which requires the Company to meet certain financial covenants and ratios and contains other limitations, including certain restrictions on dividend payments. The balance of this note at March 27, 2016 and March 29, 2015 was $1,875,000 and $2,100,000, respectively. The weighted average interest rate on borrowings under this note was 2.21%, 2.19%, and 2.18% for fiscal years 2016, 2015, and 2014, respectively. Interest expense under this note was $43,900, $48,400, and $54,500 for fiscal years 2016, 2015, and 2014, respectively.

On March 31, 2009, the Company entered into a term loan with the Baltimore County Economic Development Revolving Loan Fund for an aggregate principal amount of $250,000. At March 27, 2016 and March 29, 2015, the principal balance of this term loan was $82,600 and $108,200, respectively. The term loan is payable in equal monthly installments of principal and interest of $2,300, with the balance due at maturity on April 1, 2019. The term loan bears interest at 2.00% per annum. Interest expense under this note was $2,000, $2,400, and $2,900 for fiscal years 2016, 2015, and 2014, respectively. The term loan is secured by a subordinate position on Company-owned real property located in Hunt Valley, Maryland.

As of March 27, 2016, scheduled annual maturities of long-term debt are as follows:

Fiscal year:		
2017	$	251,100
2018		251,900
2019		252,300
2020		227,300
2021		975,000
Thereafter		—
	$	1,957,600

Note 9. Commitments and Contingencies

The Company is committed to making rental payments under non-cancelable operating leases covering various facilities and equipment. Rent expense for fiscal years 2016, 2015 and 2014 totaled $3,035,600, $2,970,300, and $3,004,300, respectively.

The Company leases office space in Timonium, Maryland, where the Company’s sales, marketing and administrative offices are located. This space is nearby to the Company’s Global Logistics Center in Hunt Valley, Maryland. The Agreement of Lease expires on December 31, 2017. Monthly rent payments now range from $167,600 to $177,700 through the remaining lease term.

The Company also leases office and warehouse space in Hunt Valley, Maryland, adjacent to the Company's Global Logistics Center, expiring on July 31, 2017; however, the Company has an ongoing annual option to terminate the lease. The monthly rental fee ranges from $34,300 to $35,700 through the remaining lease term.

Additional sales and marketing offices are located in additional leased office space in San Antonio, Texas. This space is leased pursuant to a lease agreement expiring on October 31, 2018. Monthly rent payments range from $15,800 to $16,900 through the remaining lease term.

Table of Contents

The Company’s minimum future obligations as of March 27, 2016 under existing operating leases are as follows:

Fiscal year:	
2017	$ 2,987,400
2018	2,024,800
2019	147,900
2020	15,400
2021	700
Thereafter	—
	$ 5,176,200

Lawsuits and claims are filed against the Company from time to time in the ordinary course of business. The Company does not believe that any lawsuits or claims pending against the Company, individually or in the aggregate, are material, or will have a material adverse effect on the Company’s financial condition or results of operations. In addition, from time to time, the Company is also subject to review from federal and state taxing authorities in order to validate the amounts of income, sales and/or use taxes which have been claimed and remitted. No federal, state and local tax returns are currently under examination.

As the Company is routinely audited by state taxing authorities, the Company has estimated exposure and established reserves for its estimated sales tax audit liability.

Note 10. Operating Segment

The Company evaluates its business as one segment, as the chief operating decision maker reviews results as one unit. However, to provide investors with increased visibility into the markets it serves, the Company also reports revenue and gross profit by the following customer markets: (1) public carriers, contractors and program managers that are generally responsible for building and maintaining the infrastructure system and provide airtime service to individual subscribers; (2) government system operators including federal agencies and state and local governments that run wireless networks for their own use; (3) private system operators including commercial entities such as major utilities and transportation companies that run wireless networks for their own use; (4) commercial dealers and resellers that sell, install and/or service cellular telephone, wireless networking, broadband and two-way radio communications equipment primarily for the enterprise market; and (5) retailers, independent dealer agents and carriers. Beginning in the third quarter of fiscal year 2015, the Company began reporting private system operators and government system operators as two separate markets. All prior periods have been restated to reflect this change.

The Company evaluates revenue, gross profit and net profit contribution, and income before provision for income taxes in the aggregate. Net profit contribution is defined as gross profit less any expenses that can be directly attributed. This includes sales, product management, purchasing, credit and collections and distribution team expenses, plus freight out and internal and external marketing costs. Corporate support expenses includes administrative costs – finance, human resources, information technology, operating facility occupancy expenses, depreciation, amortization and interest, plus the company-wide pay on performance bonus expense.

Certain cost of sales and other applicable expenses have been allocated to each market based on a percentage of revenues and/or gross profit, where appropriate.

Table of Contents

Market activity for the fiscal years ended 2016, 2015 and 2014 is as follows (in thousands):

	March 27, 2016	March 29, 2015	March 30, 2014
Revenues			
Public Carriers, Contractors & Program Managers	$ 89,171	$ 127,426	$ 149,195
Government System Operators	33,009	31,495	33,757
Private System Operators	85,563	86,725	81,560
Commercial Dealers & Resellers	129,986	134,195	140,552
Retailer, Independent Dealer Agents & Carriers	192,953	169,778	155,023
Total revenues	$ 530,682	$ 549,619	$ 560,087
Gross Profit			
Public Carriers, Contractors & Program Managers	$ 15,155	$ 20,915	$ 27,708
Government System Operators	7,713	7,535	7,791
Private System Operators	20,601	20,866	21,475
Commercial Dealers & Resellers	33,781	34,948	36,567
Retailer, Independent Dealer Agents & Carriers	34,716	33,375	32,817
Total gross profit	$ 111,966	$ 117,639	$ 126,358

The Company also reviews revenue and gross profit by its four product categories:

· Base station infrastructure products are used to build, repair and upgrade wireless telecommunications. Products include base station antennas, cable and transmission lines, small towers, lightning protection devices, connectors, power systems, miscellaneous hardware, and mobile antennas. Our base station infrastructure service offering includes connector installation, custom jumper assembly, site kitting and logistics integration.

· Network systems products are used to build and upgrade computing and internet networks. Products include fixed and mobile broadband equipment, wireless networking, filtering systems, distributed antenna systems, two-way radios and security and surveillance products. This product category also includes training classes, technical support and engineering design services.

· Installation, test and maintenance products are used to install, tune, and maintain wireless communications equipment. Products include sophisticated analysis equipment and various frequency-, voltage- and power-measuring devices, as well as an assortment of tools, hardware, GPS, safety and replacement and component parts and supplies required by service technicians.

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Mobile devices and accessory products include cellular phone and data device accessories such as replacement batteries, cases, speakers, mobile amplifiers, power supplies, headsets, mounts, car antennas, music accessories and data and memory cards. Retail merchandising displays, promotional programs, customized order fulfillment services and affinity-marketing programs, including private label internet sites, complement our mobile devices and accessory product offering.

54

Table of Contents

Supplemental revenue and gross profit information by product category for the fiscal years 2016, 2015 and 2014 are as follows (in thousands):

	March 27, 2016	March 29, 2015	March 30, 2014
Revenues			
Base station infrastructure	$ 206,604	$ 224,135	$ 252,983
Network systems	83,480	96,399	89,411
Installation, test and maintenance	34,936	41,790	45,343
Mobile device accessories	205,662	187,295	172,350
Total revenues	$ 530,682	$ 549,619	$ 560,087
Gross Profit			
Base station infrastructure	51,610	55,732	64,318
Network systems	12,893	13,549	13,988
Installation, test and maintenance	6,607	8,351	9,306
Mobile device accessories	40,856	40,007	38,746
Total gross profit	$ 111,966	$ 117,639	$ 126,358

Note 11. Restructuring Charge

In the fourth quarter of fiscal year 2015, recognizing the ongoing challenging conditions caused by the carrier spending slowdown, the Company took actions to restructure costs, resulting in a $0.6 million pre-tax charge, which is included in our Consolidated Statements of Income for fiscal year 2015. The restructuring charge primarily consists of severance-related expenses associated with a reduction in headcount paid in the fourth quarter of fiscal year 2015 through the first quarter fiscal year 2016.

Note 12. Stock Buyback

On April 23, 2014, the Board of Directors expanded the Company’s then existing stock buyback program and authorized the purchase on a non-accelerated basis of up to $10.0 million of the Company’s stock over a 24-month period, ending in April 2016. Shares may be purchased from time to time in the open market, by block purchase, or through negotiated transactions, or possibly other transactions managed by broker-dealers. During fiscal year 2015, the Company purchased 157,954 shares under the expanded stock buyback program for approximately $4.6 million, or an average cost of $29.17 per share. No shares were repurchased under the program in fiscal years 2016 and 2014. As of March 27, 2016, $5.4 million remained available for repurchase under this program. The stock buyback program expired in April 2016.

The Company also withholds shares from its employees and directors, at their request, equal to the minimum federal and state tax withholdings related to vested performance stock units, stock option exercises and restricted stock awards. For fiscal years 2016, 2015, and 2014 the total value of shares withheld for taxes was $937,300, $1,612,900, and $1,646,300, respectively.

55

Table of Contents

Note 13. Income Taxes

A reconciliation of the difference between the provision for income taxes computed at statutory rates and the provision for income taxes provided in the consolidated statements of income is as follows:

	2016	2015	2014
Statutory federal rate	34.0 %	34.2 %	35.0 %
State taxes, net of federal benefit	4.5	4.1	3.3
Non-deductible expenses	2.1	0.9	0.7
Other	(0.8)	—	(0.8)
Effective rate	39.8 %	39.2 %	38.2 %

The provision for income taxes was comprised of the following:

		2016	2015	2014
Federal:	Current	$ 2,350,000	$ 3,035,400	$ 9,252,700
Deferred		763,100	1,964,800	(396,600)
State:	Current	345,100	398,500	1,212,400
Deferred		73,600	178,100	(5,400)
Provision for income taxes		$ 3,531,800	$ 5,576,800	$ 10,063,100

Total net deferred tax assets as of March 27, 2016 and March 9, 2015, and the sources of the differences between financial accounting and tax basis of the Company's assets and liabilities which give rise to the deferred tax assets and liabilities, are as follows:

	2016	2015
Net deferred tax assets (liabilities):		
Deferred compensation	$ 357,500	$ 802,700
Accrued vacation	534,200	554,100
Deferred rent	459,100	687,500
Allowance for doubtful accounts	266,300	232,800
Inventory reserves	2,264,500	2,175,500
Sales tax reserves	366,500	459,600
Other assets	475,200	516,000

Restricted Stock	—	89,600
Tax contingency reserve	247,600	286,200
Depreciation and amortization	(3,646,200)	(3,354,600)
Other liabilities	(374,100)	(312,400)
Accrued compensation	(577,600)	(873,700)
Prepaid expenses	(752,400)	(767,400)
Net Deferred Tax Asset (Liability)	$ (379,400)	$ 495,900

The Company has reviewed its deferred tax assets realization and has determined that no valuation allowance is required as of March 27, 2016 or March 29, 2015.

As of March 27, 2016, the Company had gross unrecognized tax benefit of $290,400 ($188,800 net of federal benefit). As of March 30, 2015, the Company had gross unrecognized tax benefits of $394,400 ($256,400 net of federal benefit).

The Company's accounting policy with respect to interest and penalties related to tax uncertainties is to classify these amounts as income taxes. The total amount of interest and penalties related to tax uncertainties recognized in the

Table of Contents

consolidated statement of income for fiscal year 2016 was an expense of $16,600 (net of federal benefit) and the cumulative amount included as a liability in the consolidated balance sheet as of March 27, 2016 was $399,814 (net of federal benefit). The total amount of interest and penalties related to tax uncertainties recognized in the consolidated statement of income for fiscal year 2015 was a benefit of $31,600 (net of federal expense) and the cumulative amount included in the consolidated balance sheet as of March 29, 2015 was $323,800 (net of federal expense). The total amount of interest and penalties related to tax uncertainties recognized in the consolidated statement of income for fiscal year 2014 was a benefit of $23,300 (net of federal benefit).

As of March 27, 2016, the total net amount of unrecognized tax benefits, inclusive of indirect tax benefits and deferred tax benefits was $188,800 and associated penalties and interest were $339,800. The net amount of $528,600, if recognized, would affect the effective tax rate.

A reconciliation of the changes in the gross balance of unrecognized tax benefit amounts, net of interest, is as follows:

	2016	2015	2014
Beginning balance of unrecognized tax benefit	$ 394,400	$ 1,665,000	$ 631,100
Decrease due to reclassification to income tax payable	—	(1,189,000)	—
Increase related to prior period tax positions	—	—	1,189,000
Increases related to current period tax positions	3,800	10,600	22,800
Reductions as a result of a lapse in the applicable statute of limitations	(107,800)	(92,200)	(177,900)
Ending balance of unrecognized tax benefits	$ 290,400	$ 394,400	$ 1,665,000

The Company files income tax returns in U.S. federal, state and local jurisdictions. Income tax returns filed for fiscal years 2008 and earlier are no longer subject to examination by U.S. federal, state and local tax authorities. No federal, state and local income tax returns are currently under examination.

Certain income tax returns for fiscal years 2012 through 2016 remain open to examination by U.S. federal, state and local tax authorities.

Note 14. Retirement Plans

The Company has a 401(k) plan that covers all eligible employees. Contributions to the plan can be made by employees and the Company may make matching contributions at its discretion. Expense related to this matching contribution was $635,500, $524,200, and $718,700 during fiscal years 2016, 2015, and 2014, respectively. As of

March 27, 2016 plan assets included 133,102 shares of common stock of the Company.

The Company maintains a Supplemental Executive Retirement Plan for Robert B. Barnhill, Jr., Chairman, President and CEO of the Company. This plan is funded through life insurance policies for which the Company is the sole beneficiary. The cash surrender value of the life insurance policies and the net present value of the benefit obligation of approximately $1,966,400 and $966,400, respectively, as of March 27, 2016 and $1,769,600 and $941,300, respectively, as of March 29, 2015, are included in other long-term assets and other long-term liabilities, respectively, in the accompanying Consolidated Balance Sheets.

Note 15. Earnings Per Share

The Company calculates earnings per share considering ASC No. 260 in regards to accounting for participating securities, which requires the Company to use the two-class method to calculate earnings per share. Under the two-class method, earnings per common share are computed by dividing the sum of the distributed earnings to common shareholders and undistributed earnings allocated to common shareholders by the weighted average number of common shares outstanding for the period. In applying the two-class method, undistributed earnings are allocated to both common shares and participating securities based on the weighted average shares outstanding during the period.

Table of Contents

The following table presents the calculation of basic and diluted earnings per common share:

	Amounts in thousands, except per share amounts		
Amounts in thousands, except per share amounts	2016	2015	2014
Earnings per share – Basic:			
Net earnings	$ 5,341	$ 8,634	$ 16,249
Less: Distributed and undistributed earnings allocated to nonvested stock	(15)	(47)	(134)
Earnings available to common shareholders – Basic	$ 5,326	$ 8,587	$ 16,115
Weighted average common shares outstanding – Basic	8,220	8,171	8,134
Earnings per common share – Basic	$ 0.65	$ 1.05	$ 1.98
Earnings per share – Diluted:			
Net earnings	$ 5,341	$ 8,634	$ 16,249
Less: Distributed and undistributed earnings allocated to nonvested stock	(1)	(19)	(132)
Earnings available to common shareholders – Diluted	$ 5,340	$ 8,615	$ 16,117
Weighted average common shares outstanding – Basic	8,220	8,171	8,134
Effect of dilutive options	—	102	192
Weighted average common shares outstanding – Diluted	8,220	8,273	8,326
Earnings per common share – Diluted	$ 0.65	$ 1.04	$ 1.94
Anti-dilutive equity awards not included above	100	—	—

There were no stock options with respect to shares of common stock outstanding as of March 29, 2015 and March 30, 2014. At March 27, 2016, stock options with respect to 100,000 shares of common stock were outstanding, all of which were anti-dilutive. There were no anti-dilutive Performance Stock Units or Restricted Stock outstanding as of March 27, 2016, March 29, 2015, or March 30, 2014.

Note 16. Stock Based Compensation

The Company’s selling, general and administrative expenses for the fiscal years ended March 27, 2016, March 29, 2015, and March 30, 2014 includes $729,000, $1,161,300, and $2,087,100, respectively, of stock compensation expense. Provision for income taxes for the fiscal years ended March 27, 2016, March 29, 2015, and March 30, 2014 includes $290,100, $441,300, and $797,300, respectively, of income tax benefits related to our stock-based compensation arrangements. Stock compensation expense is primarily related to our Performance Stock Unit Program as described below.

The Company’s stock incentive plan is the Second Amended and Restated 1994 Stock and Incentive Plan (the 1994 Plan). On July 21, 2011, the Company’s shareholders approved an amendment to the 1994 Plan increasing the number of shares of common stock available for the grant of awards by 690,000 shares, from 2,638,125 to an aggregate of 3,553,125 shares of the Company's common stock. As of March 27, 2016, 306,296 shares were available for issue in respect of future awards under the 1994 Plan. Subsequent to the Company’s 2016 fiscal year end, on May 11, 2016, based on fiscal year 2016 results, 103,000 shares related to Performance Stock Units (PSUs) were canceled, and as a result, these shares were made available for future grants. On April 30, 2016, 20,000 stock options were canceled due to an employee termination and these shares were also made available for future grants. Also on May 27, 2016 and May 11, 2016, respectively, additional PSUs and restricted stock awards were issued providing recipients with the opportunity to earn up

58

Table of Contents

to an aggregate of 194,000 and 10,000 additional shares, respectively of the Company's common stock. Accordingly, as of May 27, 2016, an aggregate of 225,296 shares were available for issue pursuant to future awards.

No additional awards can be made under the 1994 Plan after July 21, 2016, without or unless made subject to shareholder approval of an extension of the plan term. The Company intends to seek shareholder approval at our 2016 Annual Meeting for an amended and restated 1994 Plan which would provide for, among other things, extension of the date through which awards may be granted and an increase in the number of shares available for future awards. Stock Options, restricted stock and PSU awards have historically been granted as awards under the 1994 Plan. Shares which are subject to outstanding PSU or other awards under the 1994 Plan, and which are not earned, are returned to the 1994 Plan and become available for future issuance in accordance with and otherwise subject to the terms of the 1994 Plan.

Performance Stock Units: The Company's equity-based compensation philosophy is generally focused on granting performance-based and time-vested stock grants. Under a program established by the Board of Directors, Performance Stock Units (PSUs) have been granted under the 1994 Plan to selected employees. Each PSU entitles the participant to earn TESSCO common stock, but only after earnings per share and, for non-director employee participants, individual performance targets are met over a defined performance cycle. Performance cycles, which are fixed for each grant at the date of grant, are one year. Once earned, shares vest and are issued over a specified period of time determined at the time of the grant, provided that the participant remains employed by or associated with the Company at the time of share issuance. Earnings per share targets, which take into account the earnings impact of this program, are set by the Board of Directors in advance for the complete performance cycle at levels designed to grow shareholder value. If actual performance does not reach the minimum annual or threshold targets, no shares are issued. In accordance with ASC No. 718, the Company records compensation expense on its PSUs over the service period, based on the number of shares management estimates will ultimately be issued. Accordingly, the Company determines the periodic financial statement compensation expense based upon the stock price at the PSU grant date, net of the present value of dividends expected to be paid on TESSCO common stock before the PSU vests, management's projections of future EPS performance over the performance cycle, and the resulting amount of estimated share issuances, net of estimated forfeitures. The Company's estimated forfeiture rate is approximately 0% which is estimated primarily based on historical experience and expectations of future forfeitures.

The following table summarizes the activity under the Company's PSU program for fiscal years 2016, 2015 and 2014:

	2016		2015		2014	
	Shares	Weighted Average Fair Value at Grant	Shares	Weighted Average Fair Value at Grant	Shares	Weighted Average Fair Value at Grant
Unvested shares available for issue under outstanding PSUs, beginning of period	203,841	$ 20.65	317,127	$ 15.96	455,979	$ 12.77
PSU's Granted	103,000	22.15	91,000	29.28	112,000	19.91

PSU's Vested	(87,648)		13.88	(125,347)		14.44	(199,066)		10.22
PSU's Forfeited/Cancelled	(80,268)		28.57	(78,939)		21.61	(51,786)		18.47
Unvested shares available for issue under outstanding PSUs, end of period	138,925	$	21.46	203,841	$	20.65	317,127	$	15.96

As of March 27, 2016, there was approximately $41,700 of total unrecognized compensation cost, net of forfeitures, related to PSUs earned. These costs are expected to be recognized over a weighted average period of one year. Total fair value of shares vested during fiscal years 2016, 2015 and 2014 was $2,543,000, $4,364,500 and $4,531,700, respectively.

Of the 80,268 PSUs canceled during fiscal year 2016, 74,500 related to the fiscal year 2015 grant of PSUs and were canceled in May 2015. The PSUs were canceled because the applicable fiscal year 2015 performance targets were not fully satisfied. The remaining 5,768 PSUs were forfeited due to employee departures during fiscal year 2016. Per the provisions of the 1994 Plan, the shares related to these forfeited and canceled PSUs were added back to the 1994 Plan and became available for future issuance.

59

Table of Contents

Of the PSUs outstanding at the end of fiscal year 2016 covering 138,925 non-vested shares, PSUs covering 103,000 shares were subsequently canceled in May 2016, based on fiscal year 2016 performance. These PSUs were canceled because fiscal year 2016 earnings per share did not fully reach the target performance set forth in the PSU grants. The remaining 35,925 shares covered by PSUs outstanding at the end of fiscal year 2016 were earned based on previous year performance, but were not yet vested as of March 27, 2016. Assuming the respective participants remain employed by, or affiliated with, the Company on the applicable vesting dates, these shares have vested and been issued, or will vest and be issued, on or about May 1 of 2016, and 2017, as follows:

	Number of Shares
2016	26,736
2017	9,189
	35,925

Subsequent to the Company's 2016 fiscal year end, on May 27, 2016, the Compensation Committee, with the concurrence of the full Board of Directors, granted additional PSUs to selected key employees, providing them with the opportunity to earn up to 194,000 additional shares of the Company's common stock in the aggregate, depending upon whether certain threshold or goal earnings per share targets are met and individual performance metrics are satisfied in fiscal year 2017. These PSUs have only one measurement year (fiscal year 2017), with any shares earned at the end of fiscal year 2017 to vest 25% on or about each of May 1 of 2017, 2018, 2019 and 2020. Pursuant to the typical PSU award agreement, however, performance metrics are deemed met upon the occurrence of a change in control, and shares earned are issued earlier upon the occurrence of a change in control, or death or disability of the participant, or upon termination of the participant's employment without cause or by the participant for good reason, as those terms are defined in the agreement.

Restricted Stock/Restricted Stock Units: During the second quarter of fiscal year 2007, the Company granted 225,000 shares of the Company's common stock to its Chairman and Chief Executive Officer as a restricted stock award under the 1994 Plan. These shares vested ratably over ten fiscal years based on service, beginning on the last day of fiscal year 2007 and ending on the last day of fiscal year 2016. The weighted average fair value for these shares at the grant date was $10.56. On both March 27, 2016 and March 29, 2015, 22,500 shares of restricted stock were released and vested. As of March 27, 2016, there were no remaining unvested shares related to restricted stock.

On May 14, 2013, the Compensation Committee, with the concurrence of the full Board of Directors, granted an aggregate of 15,000 RSU awards to the non-employee directors of the Company with the exception of one individual who retired from the Board of Directors in July 2013. These awards provide for the issuance of shares of the Company's common stock in accordance with a vesting schedule. These awards have vested or will vest, and shares have been or will be issued, 25% on or about each of May 1 of 2014, 2015, 2016 and 2017, provided that the participant remains associated with the Company (or meets other criteria as prescribed in the agreement) on each such date. As of March 27, 2016, there was approximately $0.1 million of total unrecognized compensation costs related to these awards. Unrecognized compensation costs related to these awards are expected to be recognized ratably over a period of approximately one year.

On May 8, 2014, the Compensation Committee, with the concurrence of the full Board of Directors, granted an aggregate of 10,000 RSU awards to non-employee directors of the Company. These awards provide for the issuance of shares of the Company’s common stock in accordance with a vesting schedule. These awards have vested or will vest, and shares have been or will be issued, 25% on or about each of May 1 of 2015, 2016, 2017 and 2018, provided that the participant remains associated with the Company (or meets other criteria as prescribed in the agreement) on each such date. As of March 27, 2016, there was approximately $0.1 million of total unrecognized compensation costs related to these awards. Unrecognized compensation costs related to these awards are expected to be recognized ratably over a period of approximately two years.

On May 11, 2015, the Compensation Committee, with the concurrence of the full Board of Directors, granted an aggregate of 10,000 RSU awards to non-employee directors of the Company. These awards provide for the issuance of shares of the Company’s common stock in accordance with a vesting schedule. These awards have vested or will vest, and shares have been or will be issued 25% on or about each of May 1 of 2016, 2017, 2018 and 2019, provided that the participant remains associated with the Company (or meets other criteria as prescribed in the agreement) on each such date. As of March 27, 2016, there was approximately $0.2 million of total unrecognized compensation costs related to

Table of Contents

these awards. Unrecognized compensation costs related to these awards are expected to be recognized ratably over a period of approximately three years.

Subsequent to the Company’s 2016 fiscal year end, on May 11, 2016, the Compensation Committee, with the concurrence of the full Board of Directors, granted an aggregate of 10,000 RSU awards to non-employee directors of the Company. These awards provide for the issuance of shares of the Company’s common stock in accordance with a vesting schedule. These awards will vest and shares will be issued 25% on or about each of May 1 of 2017, 2018, 2019 and 2020, provided that the participant remains associated with the Company (or meets other criteria as prescribed in the agreement) on each such date.

Compensation expense on restricted stock is measured using the grant date price, net of the present value of dividends expected to be paid on TESSCO common stock before the RSU award vests.

Team Member Stock Purchase Plan: The Company has a Team Member Stock Purchase Plan that permits eligible employees to purchase up to an aggregate of 450,000 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 or the market price on the last day of that same six-month period. Expenses incurred for the Team Member Stock Purchase Plan during the fiscal years ended March 27, 2016, March 29, 2015, and March 30, 2014 were $48,900, $67,300, and $68,400, respectively. During the fiscal years ended March 27, 2016, March 29, 2015, and March 30, 2014, 9,113, 8,547, and 9,604 shares were sold to employees under this plan, having a weighted average market value of $16.86, $22.93, and $22.21, respectively.

Stock Options: During fiscal year 2016, the Compensation Committee, with the concurrence of the full Board of Directors, granted an aggregate of 100,000 stock options to employees of the Company with an average exercise price of $22.42 and a grant date fair value of $3.43. The stock options vest 25% after one year and then 1/36 per month for the following three years. Subsequent to the Company’s 2016 fiscal year end, 20,000 of the stock options were forfeited due to employee departure during fiscal year 2017. The unrecognized stock compensation related to stock options at March 27, 2016 was $0.3 million and will be recognized ratably over approximately four years.

The fair value of the Company’s stock options have been determined using the Black-Scholes-Merton option pricing model, with the following assumptions and resulting value:

	Expected Stock Price Volatility	Risk-Free Interest rate	Expected Dividend Yield	Average Expected Term	Resulting Black Scholes Value
2016 Grants	26.40%	1.67%	3.50%	4.0	$ 3.43

Stock options granted have exercise prices equal to the market price of the Company's common stock on the grant date. The value of each option on the date of grant is amortized as a compensation expense over the option service period. This occurs without regard to the subsequent changes in stock price, volatility or interest rates over time, provided that the option remains outstanding. As of 2016 fiscal yearend, no options were available for exercise and no options had intrinsic value.

Note 17. Fair Value Disclosure

Assets and liabilities carried at fair value are classified and disclosed in one of the following three categories:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, and quoted prices for identical or similar assets or liabilities in markets that are not active.

61

Table of Contents

- Level 3: Unobservable inputs for the asset or liability that reflect the reporting entity's own assumptions about the inputs used in pricing the asset or liability.

As of March 27, 2016 and March 29, 2015, the Company has no assets or liabilities recorded at fair value.

The carrying amounts of cash and cash equivalents, trade accounts receivable, product inventory, trade accounts payable, accrued expenses, our term loan, life insurance policies and other current liabilities approximate their fair values as of March 27, 2016 and March 29, 2015 due to their short term nature.

Fair value of long term debt is calculated using current market interest rates, which we consider to be a Level 2 input as described in the fair value accounting guidance on fair value measurements, and future principle payments, as of March 27, 2016 and March 29, 2015 is estimated as follows:

	2016		2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Note payable to Baltimore County	$ 82,600	$ 78,700	$ 108,200	$ 102,300

Note 18. Supplemental Cash Flow Information

Cash paid for income taxes net of refunds, for fiscal years 2016, 2015, and 2014 totaled $1,979,800, $4,914,000, and $8,355,900, respectively. Cash paid for interest during fiscal years 2016, 2015, and 2014 totaled $180,300, $174,600, and $198,400, respectively. No interest was capitalized during fiscal years 2016 and 2014. Interest of $3,400 was capitalized during fiscal year 2015.

Note 19. Concentration of Risk

Sales to customers and purchases from vendors are largely governed by individual sales or purchase orders, so there is no guarantee of future business. In some cases, the Company has more formal agreements with significant customers or vendors, but they are largely administrative in nature and are terminable by either party upon several months or otherwise short notice and they typically contain no obligation to make purchases from TESSCO. In the event a significant customer decides to make its purchases from another source, experiences a significant change in demand internally or from its own customer base, becomes financially unstable, or is acquired by another company, the Company's ability to generate revenues from these customers may be significantly affected, resulting in an adverse effect on its financial position and results of operations.

The Company is dependent on third-party equipment manufacturers, distributors and dealers for all of its supply of wireless communications equipment. For fiscal years 2016, 2015, and 2014, sales of products purchased from the Company's top ten vendors accounted for 42%, 41%, and 43% of total revenues, respectively. In fiscal year 2015 and 2014, sales of product purchased from the Company's largest vendor, CommScope Inc., accounted for approximately 14% and 16% of revenue, respectively. In fiscal year 2016, sales of product purchased from the Company's largest vendor, Otter Products LLC, accounted for approximately 15% of total revenues and sales of product purchased from CommScope Inc. accounted for approximately 11%. The Company is dependent on the ability of its vendors to provide products on a timely basis and on favorable pricing terms. The Company believes that alternative sources of supply are available for many of the product types it carries, but not for all products offered by the Company. The loss of certain principal suppliers, including Otter Products LLC and CommScope Inc., or of other suppliers whose products may be difficult to source on comparable terms elsewhere, or the loss of one or more of certain ongoing affinity relationships, would have a material adverse effect on the Company.

As noted, the Company's future results could also be negatively impacted by the loss of certain customers, and/or vendor relationships. For fiscal years 2016, 2015, and 2014, sales of products to the Company's top ten customer relationships accounted for 22%, 20%, and 19% of total revenues, respectively. No customer accounted for more than 7% of total revenues in fiscal year 2016, 2015, and 2014.

62

Table of Contents

Note 20. Quarterly Results of Operations (Unaudited)

Summarized quarterly financial data for the fiscal years ended March 27, 2016 and March 29, 2015 is presented in the table below:

Fiscal Year 2016 Quarters Ended				Fiscal Year 2015 Quarters Ended			
March 27, 2016	December 27, 2015	September 27, 2015	June 28, 2015	March 29, 2015	December 28, 2014	September 28, 2014	Ju 2
$ 114,154,100	$ 139,510,700	$ 142,353,300	$ 134,664,000	$ 112,962,200	$ 135,188,700	$ 148,521,800	$
91,135,200	110,057,300	111,841,600	105,682,100	88,650,400	106,367,800	116,160,800	
23,018,900	29,453,400	30,511,700	28,981,900	24,311,800	28,820,900	32,361,000	
26,202,100	24,742,400	25,865,400	26,122,400	23,983,100	26,136,800	26,494,400	
—	—	—	—	573,400	—	—	
26,202,100	24,742,400	25,865,400	26,122,400	24,556,500	26,136,800	26,494,400	
(3,183,200)	4,711,000	4,646,300	2,859,500	(244,700)	2,684,100	5,866,600	
12,400	55,500	47,100	46,300	28,200	61,300	49,400	
(3,195,600)	4,655,500	4,599,200	2,813,200	(272,900)	2,622,800	5,817,200	
(1,205,800)	1,768,800	1,850,900	1,117,900	(41,000)	941,600	2,303,600	
$ (1,989,800)	$ 2,886,700	$ 2,748,300	$ 1,695,300	$ (231,900)	$ 1,681,200	$ 3,513,600	$
$ (0.24)	$ 0.35	$ 0.33	$ 0.20	$ (0.03)	$ 0.20	$ 0.42	$
$ 0.20	$ 0.20	$ 0.20	$ 0.20	$ 0.20	$ 0.20	$ 0.20	$

63

Table of Contents

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of

TESSCO Technologies Incorporated

We have audited the accompanying consolidated balance sheets of TESSCO Technologies Incorporated and subsidiaries as of March 27, 2016 and March 29, 2015, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three fiscal years in the period ended March 27, 2016. Our audits also included the financial statement schedule listed in the Index at Item 15(b). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of TESSCO Technologies Incorporated and subsidiaries at March 27, 2016 and March 29, 2015, and the consolidated results of their operations and their cash flows for each of the three fiscal years in the period ended March 27, 2016, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), TESSCO Technologies Incorporated and subsidiaries’ internal control over financial reporting as of March 27, 2016, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated June 6, 2016 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Baltimore, Maryland

June 6, 2016

64

Table of Contents

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Disclosure Controls and Procedures

We maintain a system of disclosure controls and procedures that is designed to provide reasonable assurance that information, which is required to be disclosed by the Company in the reports that it files or submits under the Securities and Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission, and is accumulated and communicated to management in a timely manner. Our chief executive officer and chief financial officer have evaluated our disclosure controls and procedures as of the end of the period covered by this annual report, and have concluded that our disclosure controls and procedures are effective at the reasonable assurance level.

Internal Control over Financial Reporting

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13(a)-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended. Our system of internal control is designed to provide reasonable assurance to management and the Board of Directors regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Any system of internal control over financial reporting, no matter how well designed, has inherent limitations and may not prevent or detect misstatements. Therefore, internal control systems determined to be effective can only provide reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may be inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of our management, including our Chairman and Chief Executive Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. This evaluation included review of the documentation of controls, evaluation of the design effectiveness of controls, testing of the operating effectiveness of controls, and the conclusion of this evaluation. Based on this evaluation, management concluded that our internal control over financial reporting was effective as of March 27, 2016.

The effectiveness of our internal control over financial reporting as of March 27, 2016 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report which is included within this Item 9A of Part II of this Annual Report on Form 10-K.

Changes in Internal Control over Financial Reporting

There has not been any change in our internal control over financial reporting during the fourth quarter of fiscal year 2016 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of

TESSCO Technologies Incorporated

We have audited TESSCO Technologies Incorporated and subsidiaries' internal control over financial reporting as of March 27, 2016, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). TESSCO Technologies Incorporated and subsidiaries' management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, TESSCO Technologies Incorporated and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of March 27, 2016, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of TESSCO Technologies Incorporated and subsidiaries as of March 27, 2016 and March 29, 2015, and the related consolidated statements of income, changes in shareholders' equity and cash flows for each of the three fiscal years in the period ended March 27, 2016 of TESSCO Technologies Incorporated and subsidiaries and our report dated June 6, 2016 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Baltimore, Maryland

June 6, 2016

Table of Contents

Item 9B. Other Information.

None.

Part III

Items 10, 11, 12, 13 and 14.

The information with respect to the identity and business experience of executive officers of the Company as required to be included in Item 10 to this Form 10-K is set forth in Part I of this Form 10-K. The information otherwise required by Items 10 through 14 will be contained in a definitive proxy statement for our Annual Meeting of Shareholders, which we anticipate will be filed no later than 120 days after the end of our fiscal year pursuant to Regulation 14A, and accordingly, these items have been omitted in accordance with General Instruction G (3) to Form 10-K.

Part IV

Item 15. Exhibits and Financial Statement Schedules.

(a) The following documents are filed as part of this report:

1. The following consolidated financial statements are included in Item 8 of this report:

Consolidated Balance Sheets as of March 27, 2016 and March 29, 2015

Consolidated Statements of Income for the fiscal years ended March 27, 2016, March 29, 2015 and March 30, 2014

Consolidated Statements of Changes in Shareholders' Equity for the fiscal years ended March 27, 2016, March 29, 2015 and March 30, 2014

Consolidated Statements of Cash Flows for the fiscal years ended March 27, 2016, March 29, 2015 and March 30, 2014

Notes to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

2. The following financial statement schedules are required to be filed by Item 8 and paragraph (b) of this Item 15 included herewith:

Schedule IIValuation and Qualifying Accounts

Schedules not listed above have been omitted because the information required to be set forth therein is not applicable.

67

Table of Contents

3. Exhibits

3.1.1 Amended and Restated Certificate of Incorporation of the Company filed with the Secretary of State of Delaware on September 29, 1993 (incorporated by reference to Exhibit 3.1.1 to the Company's Registration Statement on Form S 1 (No. 33 81834)).
3.1.2 Certificate of Retirement of the Company filed with the Secretary of State of Delaware on January 13, 1994 (incorporated by reference to Exhibit 3.1.2 to the Company's Registration Statement on Form S 1 (No. 33 81834)).
3.1.3 Certificate of Amendment to Certificate of Incorporation of the Company filed with the Secretary of State of Delaware on July 20, 1994 (incorporated by reference to Exhibit 3.1.3 to the Company's Registration Statement on Form S 1 (No. 33 81834)).
3.1.4 Certificate of Amendment to Certificate of Incorporation of the Company filed with the Secretary of State of Delaware on September 6, 1996 (incorporated by reference to Exhibit 3.1.4 to the Company's Annual Report on Form 10 K filed for the fiscal year ended March 28, 1997).
3.1.5 Certificate of Correction filed with the Secretary of State of Delaware on February 7, 2007 to Certificate of Amendment to Certificate of Incorporation of the Company filed with the Secretary of State of Delaware on September 6, 1996 (incorporated by reference to Exhibit 3.1.5 to the Company's Quarterly Report on Form 10-Q filed for the fiscal quarter ended December 24, 2006).
3.2.1 Sixth Amended and Restated Bylaws of the Company (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on April 28, 2011).
3.2.2 First Amendment to Sixth Amended and Restated Bylaws of the Company (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on July 22, 2011).
3.2.3 Second Amendment to Sixth Amended and Restated Bylaws of the Company (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on March 29, 2016)
10.1.1 Amended and Restated Employment Agreement, dated March 26, 2016, with Robert B. Barnhill, Jr. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on March 31, 2016).
10.2.1 Employee Incentive Stock Option Plan, as amended (incorporated by reference to Exhibit 10.21 to the Company's Registration Statement on Form S 1 (No. 33 81834)).
10.3.1 Team Member Stock Purchase Plan (incorporated by reference to Appendix No. 2 to the Company's Definitive Proxy Statement filed with the Securities and Exchange Commission on July 15, 1999).
10.3.2 Form of Restricted Stock Award (incorporated herein by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed for the fiscal quarter ended June 26, 2011).
10.3.3 Form of Restricted Stock Unit Award (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on July 30, 2013).
10.3.4 Form of Stock Option (incorporated herein by reference to Exhibit 10.1.1 to the Company's Quarterly Report on Form 10-Q filed for the fiscal quarter ended September 27, 2015).
10.4.1 TESSCO Technologies Incorporated Second Amended and Restated 1994 Stock and Incentive Plan, dated as of July 24, 2008 (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on July 29, 2008).
10.4.2

First Amendment to Second Amended and Restated 1994 Stock and Incentive Plan of TESSCO Technologies Incorporated (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on July 22, 2011).

10.4.3 Form of TESSCO Technologies Incorporated Performance Share Unit Agreement – Officers and Employees (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed for the fiscal quarter ended June 27, 2004).

10.4.4 Form of TESSCO Technologies Incorporated Performance Share Unit Agreement – Non Employee Directors (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed for the fiscal quarter ended June 27, 2004).

68

Table of Contents

10.5.1 Agreement of Lease by and between Atrium Building, LLC and TESSCO Technologies Incorporated (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed for the fiscal quarter ended September 28, 2003).

10.5.2 Third Amendment to Agreement of Lease by and between Atrium Building, LLC and TESSCO Technologies Incorporated (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on February 18, 2011).

10.6.1 Credit Agreement, dated June 30, 2004, by and among the Company and affiliates, and Wells Fargo Bank, National Association (as successor to Wachovia Bank, National Association), SunTrust Bank and the lenders party thereto from time to time (Term Loan) (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed for the fiscal quarter ended September 26, 2004).

10.6.2 Joinder, Assumption, Ratification and Modification Agreement, dated as of August 29, 2006, by and among the Company, various affiliates of the Company and Wells Fargo Bank, National Association (as successor to Wachovia Bank, National Association) and SunTrust Bank, as lenders (Term Loan) (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed for the fiscal quarter ended September 24, 2006).

10.6.3 Second Amendment, dated as of May 31, 2007, by and among the Company, various affiliates of the Company and Wells Fargo Bank, National Association (as successor to Wachovia Bank, National Association) and SunTrust Bank, as lenders (Term Loan) (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on June 6, 2007).

10.6.4 Joinder, Assumption and Third Amendment, dated as of May 20, 2011, by and among the Company, various affiliates of the Company and Wells Fargo Bank, National Association (as successor to Wachovia Bank, National Association) and SunTrust Bank, as lenders (Term Loan) (incorporated by reference to Exhibit 10.7.4 to the Company's Annual Report on Form 10-K filed for the fiscal year ended March 27, 2011).

10.6.5 Fourth Modification Agreement, dated as of October 7, 2015, by and among the Company and certain subsidiaries, as borrowers and guarantor, as applicable, Wells Fargo Bank, National Association, as lender and Administrative Agent, and SunTrust Bank, as lender and Arrangement Agent (Term Loan) (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on October 13, 2015).

10.6.6 Term Note of Company and affiliates, dated June 30, 2004, payable to Wells Fargo Bank, National Association (as successor to Wachovia Bank, National Association) and SunTrust Bank (Term Loan) (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed for the fiscal quarter ended September 26, 2004).

10.6.7 Guaranty Agreement, dated June 30, 2004, of TESSCO Incorporated, to and for the benefit of Wells Fargo Bank, National Association (as successor to Wachovia Bank, National Association), as agent (Term Loan) (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed for the fiscal quarter ended September 26, 2004).

10.6.8 Credit Agreement, dated as of May 31, 2007, by and among the Company and its primary operating subsidiaries as borrowers, and SunTrust Bank and Wells Fargo Bank, National Association (as successor to Wachovia Bank, National Association), as lenders (Revolving Line of Credit Facility) (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on June 6, 2007).

10.6.9 First Modification Agreement, made effective as of June 30, 2008, to Credit Agreement dated as of May 31, 2007, by and among the Company and its primary operating subsidiaries as borrowers, and SunTrust Bank and Wells Fargo Bank, National Association (as successor to Wachovia Bank, National Association), as lenders (Revolving Line of Credit Facility) (incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on July 7, 2008).

10.6.10 Second Modification Agreement, made effective as of November 26, 2008, to Credit Agreement dated as of May 31, 2007, by and among the Company and its primary operating subsidiaries as borrowers, and SunTrust

Bank and Wells Fargo Bank, National Association (as successor to Wachovia Bank, National Association), as lenders (Revolving Line of Credit Facility) (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on December 3, 2008).

Table of Contents

10.6.11 Third Modification Agreement, made effective July 22, 2009, to Credit Agreement dated as of May 31, 2007, by and among the Company and its primary operating subsidiaries as borrowers, and SunTrust Bank and Wells Fargo Bank, National Association (as successor to Wachovia Bank, National Association), as lenders (Revolving Line of Credit Facility) (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed for the fiscal quarter ended June 28, 2009).

10.6.12 Fourth Modification Agreement, made effective April 28, 2010, to Credit Agreement dated as of May 31, 2007, by and among the Company and its primary operating subsidiaries as borrowers, and SunTrust Bank and Wells Fargo Bank, National Association (as successor to Wachovia Bank, National Association), as lenders (Revolving Line of Credit Facility) (incorporated by reference to Exhibit 10.7.7 to the Company's Annual Report on Form 10-K filed for the fiscal year ended March 28, 2010).

10.6.13 Joinder, Assumption, and Fifth Modification Agreement, made effective May 20, 2011, to Credit Agreement dated as of May 31, 2007, by and among the Company and its primary operating subsidiaries as borrowers, and SunTrust Bank and Wells Fargo Bank, National Association (as successor to Wachovia Bank, National Association), as lenders (Revolving Line of Credit Facility) (incorporated by reference to Exhibit 10.7.12 to the Company's Annual Report on Form 10-K filed for the fiscal year ended March 27, 2011).

10.6.14 Sixth Modification Agreement, made effective December 30, 2011, to Credit Agreement dated as of May 31, 2007, by an among the Company and its primary operating subsidiaries as borrowers, and SunTrust Bank and Wells Fargo Bank, National Association (as successor to Wachovia Bank, National Association), as lenders (Revolving Line of Credit Facility) (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on January 5, 2012).

10.6.15 Seventh Modification Agreement, made effective November 30, 2012, to Credit Agreement dated as of May 31, 2007, by and among the Company and certain subsidiaries, as borrowers, and SunTrust and Wells Fargo Bank, National Association, as lenders (Revolving Line of Credit Facility) (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on December 3, 2012).

10.6.16 Eighth Modification Agreement, made effective December 21, 2012, to Credit Agreement dated as of May 31, 2007, by and among the Company and certain subsidiaries, as borrowers, and SunTrust Bank and Wells Fargo Bank, national Association, as lenders (Revolving Line of Credit Facility) (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on December 26, 2012).

10.6.17 Ninth Modification Agreement, made effective October 16, 2013, to Credit Agreement dated as of May 31, 2007, by and among the Company and certain subsidiaries, as borrowers, and SunTrust Bank and Wells Fargo Bank, National Association, as lenders (Revolving Line of Credit Facility) (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on October 18, 2013).

10.6.18 Tenth Modification Agreement, made effective September 24, 2015, to Credit Agreement dated as of May 31, 2007, by and among the Company and certain subsidiaries, as borrowers, and SunTrust Bank and Wells Fargo Bank, National Association, as lenders (Revolving Line of Credit Facility) (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on September 28, 2015).

10.6.19 Revolving Credit Note of Company and its primary operating subsidiaries, dated as of May 31, 2007, payable to SunTrust Bank and Wells Fargo Bank, National Association (as successor to Wachovia Bank, National Association), as lenders (Revolving Line of Credit Facility) (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on June 6, 2007).

10.7.1 Supplemental Executive Retirement Plan, between the Company and Robert B. Barnhill, Jr., (originally filed as Exhibit C to Exhibit 10.2 to the Company's Registration Statement on Form S-1 (No. 33-81834)) (incorporated by reference to Exhibit 10.9.1 to the Company's Annual Report on Form 10-K filed for the fiscal year ended March 29, 2009).

10.7.2 Amendment No. 1 to Supplemental Executive Retirement Plan, dated as of December 31, 2008 (incorporated by reference to Exhibit 10.9.2 to the Company’s Annual Report on Form 10-K filed for the fiscal year ended March 29, 2009).

70

10.8.1 Form of Severance and Restrictive Covenant Agreement entered into between the Company and each of Douglas A. Rein and Said Tofighi (incorporated by reference to Exhibit 10.10.1 to the Company's Annual Report on Form 10-K filed for the fiscal year ended March 29, 2009).

10.8.2 Severance and Restrictive Covenant Agreement, dated May 27, 2014, and entered into between the Company and Aric Spitulnik (incorporated by reference to Exhibit 10.8.2 to the Company’s Annual Report on Form 10-K filed for the fiscal year ended March 30, 2014).

10.8.3* Form of Severance and Restrictive Covenant Agreement entered into between the Company and each of Craig A. Oldham and Steven K. Tom.

10.8.4 Letter Agreement, dated as of February 18, 2015, by and between the Company and Gerald T. Garland (incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K, filed with the Securities and Exchange Commission on February 20, 2015).

10.8.5 Letter Agreement, dated as of May 26, 2015, by and between the Company and Said Tofighi (incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K, filed with the Securities and Exchange Commission on May 26, 2015).

11.1.1* Statement re: Computation of Per Share Earnings.

21.1.1* Subsidiaries of the Company.

23.1.1* Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm.

31.1.1* Rule 15d-14(a) Certification of Robert B. Barnhill, Jr., Chief Executive Officer.

31.2.1* Rule 15d-14(a) Certification of Aric Spitulnik, Chief Financial Officer.

32.1.1* Section 1350 Certification of Robert B. Barnhill, Jr., Chief Executive Officer.

32.2.1* Section 1350 Certification of Aric Spitulnik, Chief Financial Officer.

101.1* The following financial information from TESSCO Technologies Incorporated’s Annual Report on Form 10-K for the year ended March 27, 2016 formatted in XBRL: (i) Consolidated Statement of Income for the years ended March 27, 2016, March 29, 2015 and March 30, 2014; (ii) Consolidated Balance Sheet at March 27, 2016 and March 29, 2015; (iii) Consolidated Statement of Cash Flows for the years March 27, 2016 and March 29, 2015; and (iv) Notes to Consolidated Financial Statements.

* Filed herewith

Table of Contents

Schedule II: Valuation and Qualifying Accounts

For the fiscal years ended:

	2016	2015	2014
Allowance for doubtful accounts:			
Balance, beginning of period	$ 661,900	$ 1,080,300	$ 1,274,700
Provision for bad debts	637,100	943,300	202,000
Write-offs and other adjustments	(457,600)	(1,361,700)	(396,400)
Balance, end of period	$ 841,400	$ 661,900	$ 1,080,300

	2016	2015	2014
Inventory Reserve:			
Balance, beginning of period	$ 5,780,600	$ 4,086,100	$ 3,336,700
Inventory reserve expense	3,412,000	4,303,000	2,917,200
Write-offs and other adjustments	(3,121,500)	(2,608,500)	(2,167,800)
Balance, end of period	$ 6,071,100	$ 5,780,600	$ 4,086,100

Table of Contents

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TESSCO Technologies Incorporated
By: /s/ Robert B. Barnhill, Jr.
Robert B. Barnhill, Jr., President
June 6, 2016

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ Robert B. Barnhill, Jr. Robert B. Barnhill, Jr.	Chairman of the Board, President and Chief Executive Officer (principal executive officer)	June 6, 2016
/s/ Aric Spitulnik Aric Spitulnik	Senior Vice President, Chief Financial Officer, and Corporate Secretary (principal financial and accounting officer)	June 6, 2016
/s/ Jay G. Baitler Jay G. Baitler	Director	June 6, 2016
/s/ John D. Beletic John D. Beletic	Director	June 6, 2016
/s/ Benn R. Konsynski Benn R. Konsynski	Director	June 6, 2016
/s/ Dennis J. Shaughnessy Dennis J. Shaughnessy	Director	June 6, 2016

/s/ Morton F. Zifferer Morton F. Zifferer	Director	June 6, 2016

73