

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

FORM 10-Q

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

For the quarterly period ended June 27, 2021

or

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

For the transition period from to

Commission File Number: 001-33938

TESSCO TECHNOLOGIES INCORPORATED

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

52-0729657
(I.R.S Employer
Identification No.)

11126 McCormick Road, Hunt Valley, Maryland
(Address of principal executive offices)

21031
(Zip Code)

(410) 229-1000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 par value per share	TESS	Nasdaq Global Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer
Non-accelerated filer

Accelerated filer
Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The number of shares of the registrant's Common Stock, \$0.01 par value per share, outstanding as of August 2, 2021, was 8,896,075.

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PART I. FINANCIAL INFORMATION**Item 1. Financial Statements.****TESSCO TECHNOLOGIES INCORPORATED**
Consolidated Balance Sheets

	<u>June 27, 2021</u>	<u>March 28, 2021</u>
	<u>(unaudited)</u>	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,207,500	\$ 1,110,000
Trade accounts receivable, net	71,251,900	70,045,700
Product inventory, net	69,017,500	53,060,000
Income taxes receivable	10,462,700	10,432,500
Prepaid expenses and other current assets	5,410,900	3,980,900
Current portion of assets held for sale	1,042,600	1,196,900
Total current assets	<u>159,393,100</u>	<u>139,826,000</u>
Property and equipment, net	12,245,300	12,571,600
Intangible assets, net	21,285,700	19,136,500
Lease asset - right of use	10,634,500	11,285,800
Other long-term assets	6,722,500	6,258,000
Total assets	<u>\$ 210,281,100</u>	<u>\$ 189,077,900</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Trade accounts payable	\$ 74,297,900	\$ 59,415,600
Payroll, benefits and taxes	7,004,200	6,279,800
Income and sales tax liabilities	752,900	803,900
Accrued expenses and other current liabilities	1,448,300	2,912,300
Lease liability, current	2,547,600	2,573,500
Total current liabilities	<u>86,050,900</u>	<u>71,985,100</u>
Deferred tax liabilities, net	26,500	26,500
Revolving line of credit	39,729,100	30,583,200
Non-current lease liability	8,321,800	8,923,500
Other non-current liabilities	793,500	809,400
Total liabilities	<u>134,921,800</u>	<u>112,327,700</u>
Shareholders' equity:		
Preferred stock, \$0.01 par value per share, 500,000 shares authorized and no shares issued and outstanding	—	—
Common stock, \$0.01 par value per share, 15,000,000 shares authorized, 8,899,547 shares issued and 8,884,591 shares outstanding as of June 27, 2021, and 8,844,083 shares issued and 8,833,833 shares outstanding as of March 28, 2021	104,800	104,200
Additional paid-in capital	67,595,700	67,227,700
Treasury stock, at cost, 14,956 shares as of June 27, 2021 and 10,250 shares as of March 28, 2021	(105,000)	(62,800)
Retained earnings	7,763,800	9,481,100
Total shareholders' equity	<u>75,359,300</u>	<u>76,750,200</u>
Total liabilities and shareholders' equity	<u>\$ 210,281,100</u>	<u>\$ 189,077,900</u>

See accompanying notes to unaudited consolidated financial statements.

TESSCO TECHNOLOGIES INCORPORATED
Unaudited Consolidated Statements of (Loss) Income

	Three Months Ended	
	June 27, 2021	June 28, 2020
Revenues	\$ 104,956,100	\$ 96,477,600
Cost of goods sold	85,269,900	80,024,900
Gross profit	19,686,200	16,452,700
Selling, general and administrative expenses	21,646,800	21,532,500
Operating loss	(1,960,600)	(5,079,800)
Interest expense, net	213,700	110,700
Loss from continuing operations before benefit from income taxes	(2,174,300)	(5,190,500)
Provision for (benefit from) income taxes	38,500	(321,800)
Net loss from continuing operations	(2,212,800)	(4,868,700)
Income from discontinued operations, net of taxes	495,500	237,300
Net loss	\$ (1,717,300)	\$ (4,631,400)
Basic (loss) income per share		
Continuing operations	\$ (0.25)	\$ (0.56)
Discontinued operations	\$ 0.06	\$ 0.03
Consolidated operations	\$ (0.19)	\$ (0.54)
Diluted (loss) income per share		
Continuing operations	\$ (0.25)	\$ (0.56)
Discontinued operations	\$ 0.06	\$ 0.03
Consolidated operations	\$ (0.19)	\$ (0.54)
Basic weighted-average common shares outstanding	8,864,704	8,617,803
Effect of dilutive options and other equity instruments	—	—
Basic and diluted weighted-average common shares outstanding	8,864,704	8,617,803
Cash dividends declared per common share	\$ —	\$ —

See accompanying notes to unaudited consolidated financial statements.

TESSCO TECHNOLOGIES INCORPORATED
Unaudited Consolidated Statements of Changes in Shareholders' Equity

	<u>Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>Treasury Stock</u>	<u>Retained Earnings</u>	<u>Total Shareholders' Equity</u>
	<u>Shares</u>	<u>Amount</u>				
Balance at March 28, 2021	8,833,833	104,200	67,227,700	(62,800)	9,481,100	76,750,200
Proceeds from issuance of stock	13,782	100	102,700	—	—	102,800
Treasury stock purchases	(3,960)	—	—	(28,900)	—	(28,900)
Non-cash stock compensation expense	39,182	500	254,400	—	—	254,900
Exercise of stock options	1,754	—	10,900	(13,300)	—	(2,400)
Net loss	—	—	—	—	(1,717,300)	(1,717,300)
Balance at June 27, 2021	<u>8,884,591</u>	<u>104,800</u>	<u>67,595,700</u>	<u>(105,000)</u>	<u>7,763,800</u>	<u>75,359,300</u>
Balance at March 29, 2020	8,577,549	101,400	65,318,500	(58,496,200)	76,779,000	83,702,700
Proceeds from issuance of stock	23,676	200	132,500	—	—	132,700
Treasury stock purchases	(12,781)	—	—	(58,800)	—	(58,800)
Non-cash stock compensation expense	48,685	600	311,300	—	—	311,900
Net loss	—	—	—	—	(4,631,400)	(4,631,400)
Balance at June 28, 2020	<u>8,637,129</u>	<u>102,200</u>	<u>65,762,300</u>	<u>(58,555,000)</u>	<u>72,147,600</u>	<u>79,457,100</u>

See accompanying notes to unaudited consolidated financial statements.

TESSCO TECHNOLOGIES INCORPORATED
Unaudited Consolidated Statements of Cash Flows

	Three Months Ended	
	June 27, 2021	June 28, 2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Loss	\$ (1,717,300)	\$ (4,631,400)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation and amortization	607,700	1,228,000
Non-cash stock-based compensation expense	254,900	311,900
Deferred income taxes and other	—	758,100
Change in trade accounts receivable	(1,206,200)	9,014,400
Change in product inventory	(15,803,200)	(516,400)
Change in prepaid expenses and other current assets	(1,460,200)	(2,677,400)
Change in other assets and other liabilities	(487,700)	(949,400)
Change in trade accounts payable	14,632,900	(704,000)
Change in payroll, benefits and taxes	724,400	1,574,600
Change in income and sales tax liabilities	(51,000)	(3,900)
Change in accrued expenses and other current liabilities	(1,326,600)	34,600
Net cash (used in) provided by operating activities	<u>(5,832,300)</u>	<u>3,439,100</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(84,300)	(238,900)
Purchases of internal use software licenses eligible for capitalization	<u>(2,089,600)</u>	<u>(2,973,700)</u>
Net cash used in investing activities	<u>(2,173,900)</u>	<u>(3,212,600)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net borrowings (repayments) from revolving line of credit short term	—	(217,200)
Borrowings from revolving line of credit long term	66,565,500	—
Repayments to revolving line of credit long term	(57,419,600)	—
Proceeds from issuance of stock	—	400
Purchase of treasury stock and repurchase of stock from employees and directors for minimum tax withholdings	(42,200)	(58,800)
Net cash provided by (used in) financing activities	<u>9,103,700</u>	<u>(275,600)</u>
Net increase (decrease) in cash and cash equivalents	1,097,500	(49,100)
CASH AND CASH EQUIVALENTS, beginning of period	<u>1,110,000</u>	<u>50,000</u>
CASH AND CASH EQUIVALENTS, end of period	<u>\$ 2,207,500</u>	<u>\$ 900</u>

See accompanying notes to unaudited consolidated financial statements.

TESSCO TECHNOLOGIES INCORPORATED

Notes to Unaudited Consolidated Financial Statements

Note 1. Description of Business and Basis of Presentation

TESSCO Technologies Incorporated, a Delaware corporation (TESSCO, we, or the Company), architects and delivers innovative product and value chain solutions to support wireless systems. The Company provides marketing and sales services, knowledge and supply chain management, product-solution delivery and control systems utilizing extensive internet and information technology. Approximately 97% of the Company's sales are made to customers in the United States. The Company takes orders in several ways, including phone, fax, online and through electronic data interchange. Almost all of the Company's sales are made in United States Dollars.

In management's opinion, the accompanying interim Consolidated Financial Statements of the Company include all adjustments, consisting only of normal, recurring adjustments, necessary for a fair presentation of the Company's financial position for the interim periods presented. These statements are presented in accordance with the rules and regulations of the United States Securities and Exchange Commission (the "SEC") and have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). Certain information and footnote disclosures normally included in the Company's annual financial statements have been omitted from these statements, as permitted under the applicable rules and regulations. The results of operations presented in the accompanying interim Consolidated Financial Statements are not necessarily representative of operations for an entire year. The information included in this Form 10-Q should be read in conjunction with the Consolidated Financial Statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended March 28, 2021, filed with SEC on June 11, 2021.

On October 28, 2020, the Company entered into a definitive Inventory Purchase Agreement (the "Agreement") which, at a closing held on December 2, 2020, resulted in the Company's exit from its retail business through the sale to Voice Comm, LLC, a Delaware limited liability company ("Voice Comm"), of most of the Company's retail inventory, the Ventev brand as it relates to mobile device accessory products, and certain other retail-related assets. The accompanying Consolidated Financial Statements for all periods presented reflect the results of the Retail segment as a discontinued operation. As a result, certain amounts have been reclassified on the balance sheet and statement of (loss) income to conform with current period presentation. See Note 11, "Discontinued Operations", for further information.

Note 2. Recently Issued Accounting Pronouncements

Recently issued accounting pronouncements not yet adopted:

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments which amends the impairment model by requiring entities to use a forward-looking approach based on expected losses rather than incurred losses to estimate credit losses on certain types of financial instruments, including trade receivables. This may result in the earlier recognition of allowances for losses. This ASU is effective for periods beginning after December 15, 2022. The Company is currently evaluating the impact the adoption of this new standard will have on its Consolidated Financial Statements and will adopt the standard on the first day of the Company's 2024 fiscal year.

Recently issued accounting pronouncements adopted:

In December 2019, the FASB issued ASU No. 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes, which simplifies the accounting for income taxes by eliminating certain exceptions to the guidance in ASC 740 related to the approach for intraperiod tax allocation, and the methodology for calculating income taxes in an interim period. This ASU is effective for periods beginning after December 15, 2020. The Company adopted this standard on the first day of the 2022 fiscal year on a prospective basis. The standard did not have a material impact on the financial statements.

Note 3. Intangible Assets

Intangible assets, net on our Consolidated Balance Sheets as of June 27, 2021, consists of capitalized software for internal use and indefinite lived intangible assets. Capitalized software for internal use, net of accumulated amortization, was \$20,490,300 and \$18,341,100 as of June 27, 2021 and March 28, 2021, respectively. Amortization expense of capitalized software for internal use was \$175,500 and \$648,500 for the fiscal quarter ended June 27, 2021 and June 28, 2020, respectively. Indefinite lived intangible assets were \$795,400 as of June 27, 2021 and March 28, 2021.

Note 4. Stock-Based Compensation

The Company's selling, general and administrative expenses for the fiscal quarter ended June 27, 2021 includes \$254,900, of non-cash stock-based compensation expense. The Company's selling, general and administrative expenses for the fiscal quarter ended June 28, 2020 included \$311,900, of non-cash stock-based compensation expense. Non-cash stock-based compensation expense is primarily related to our Performance Stock Units (PSUs), Restricted Stock Units (RSUs), Restricted Stock, and Stock Options, granted or outstanding under the Company's Third Amended and Restated Stock and Incentive Plan (the "1994 Plan") and 2019 Stock and Incentive Plan (the "2019 Plan" and together with the 1994 Plan, the "Plans"), the latter of which was approved at the Annual Meeting of Shareholders held on July 25, 2019. No additional awards may be granted under the 1994 Plan, although awards outstanding under the 1994 Plan remain outstanding and governed by its terms.

Performance Stock Units: The following table summarizes the activity under the Company's PSU program under the Plans, for the first three months of fiscal 2022:

	Three Months Ended June 27, 2021	Weighted Average Fair Value at Grant Date (per unit)
Unvested shares available for issue under outstanding PSUs, beginning of period	13,552	\$ 14.57
PSUs Granted	96,603	7.32
PSUs Vested	(7,930)	13.89
PSUs Forfeited/Cancelled	(2,186)	13.79
Unvested shares available for issue under outstanding PSUs, end of period	<u>100,039</u>	\$ 10.44

If all unvested PSUs earned and outstanding as of June 27, 2021 are assumed to have then vested (and the underlying shares issued) in accordance with terms of the applicable award agreement, total unrecognized compensation costs on these PSUs would be less than \$0.2 million as of June 27, 2021, and would be expensed through fiscal 2022.

Restricted Stock Units: On April 29, 2021 the Compensation Committee, with the concurrence of the full

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Board of Directors, granted an aggregate of 12,000 RSUs under the 2019 Plan 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 that generally provides for the vesting of 25% of the award on or about each of May 15 of 2022, 2023, 2024 and 2025, provided that the participant remains associated with the Company (or meets other criteria as prescribed in the applicable agreement) on each such date.

Additionally, on May 25, 2021, the Compensation Committee, with the concurrence of the full Board of Directors, granted an aggregate of 24,761 RSUs under the 2019 Plan to non-employee directors of the Company. The RSUs were issued in lieu of cash payments for fiscal 2022 Board and Committee meetings. These awards provide for the issuance of shares of the Company's common stock on May 25, 2022, provided that the participant remains associated with the Company (or meets other criteria as prescribed in the applicable agreement) on each such date.

Restricted Stock: On April 29, 2021 the Compensation Committee, with the concurrence of the full Board of Directors, awarded an aggregate of 22,252 shares of the Company's common stock as restricted stock under the 2019 Plan to certain non-employee directors of the Company in lieu of their annual cash retainer for fiscal 2022. The value of the restricted shares at the time of issue to each director was determined by the Compensation Committee to approximate the cash amount of the 2022 fiscal year Board retainer per director. These shares of restricted stock were issued subject to a risk of forfeiture that will lapse in whole or in part on July 1, 2022, generally depending on the length of continued service of the recipient on the Board for fiscal 2022. Dividends accruing in respect of the shares of restricted stock, if any, will accrue but will not be paid until July 1, 2022 and only in respect of those shares for which the risk of forfeiture has then lapsed.

As of June 27, 2021, there was approximately \$0.4 million of total unrecognized compensation cost related to all outstanding RSUs and restricted stock, assuming all shares are earned. Unrecognized compensation costs are expected to be recognized ratably over a weighted average period of approximately three years.

PSUs and RSUs are expensed based on the grant date fair value, calculated as the closing price of TESSCO common stock as reported by Nasdaq on the date of grant minus the present value of dividends expected to be paid on the common stock before the award vests, because dividends or dividend-equivalent amounts do not accrue and are not paid on unvested PSUs and RSUs.

The Company accounts for forfeitures as they occur rather than estimate expected forfeitures. To the extent that forfeitures occur, stock-based compensation related to the restricted awards may be different from the Company's expectations.

Stock Options: During the first quarter of fiscal 2022, stock options for an aggregate of 177,500 shares of common stock were granted under the 2019 Plan. These stock options have exercise prices equal to the market price of the Company's common stock on the grant date, and the terms thereof provide for 25% vesting after one year and then 1/36 per month over the following three years, subject, however, to acceleration or termination upon the occurrence of certain events, as described in the applicable award agreement.

The grant date value of the Company's stock options is determined using the Black-Scholes-Merton pricing model, based upon facts and assumptions existing at the date of grant. The value of each option is amortized as compensation expense over the service period. This occurs without regard to subsequent changes in stock price, volatility, or interest rates over time, provided the option remains outstanding.

The following tables summarize the pertinent information for outstanding options.

	Three Months Ended June 27, 2021	Weighted Average Fair Value at Grant Date (per unit)
Unvested options, beginning of period	383,670	\$ 1.47
Options Granted	177,500	3.69
Options Forfeited/Cancelled	(59,167)	2.58
Options Vested	(53,641)	2.11
Unvested options, end of period	<u>448,362</u>	<u>2.76</u>

Grant Fiscal Year	Options Granted	Option Exercise Price	June 27, 2021	
			Options Outstanding	Options Exercisable
2022	177,500	\$ 3.69	177,500	-
2021	240,000	\$ 4.70	120,000	28,438
2020	405,000	\$ 13.54	319,000	147,158
2019	66,500	\$ 16.31	28,000	20,542
2018	230,000	\$ 15.12	60,000	60,000
2017	410,000	\$ 12.57	263,958	263,958
2016	100,000	\$ 22.42	40,000	40,000
Total			1,008,458	560,095

Grant Fiscal Year	Expected Stock Price Volatility	Risk-Free Interest Rate	Expected Dividend Yield	Average Expected Term	Resulting Black Scholes Value
2022	50.96 %	2.19 %	0.00 %	4.0	\$ 3.69
2021	46.82 %	1.17 %	0.00 %	4.0	\$ 2.05
2020	35.88 %	2.00 %	5.82 %	4.0	\$ 2.53

As of June 27, 2021, there was approximately \$1.2 million of total unrecognized compensation costs related to these options, assuming all shares are earned. These unrecognized compensation costs are expected to be recognized ratably over a period of approximately three years.

Note 5. Borrowings Under Revolving Credit Facility

On October 29, 2020, the Company entered into a Credit Agreement (the “Credit Agreement”) among the Company, the Company’s primary operating subsidiaries as co-borrowers, the Lenders party thereto, and Wells Fargo Bank, National Association (“Wells”), as Administrative Agent, swingline lender and an issuing bank. Terms used, but not defined, in this and the following ten (10) paragraphs have the meanings set forth in the Credit Agreement or the related Guaranty and Security Agreement. This new facility replaced a previously existing credit facility among the Company and certain subsidiaries, the lenders party thereto (which included Wells) and Truist Bank (successor by merger to SunTrust Bank), as administrative agent.

The Credit Agreement provides for a senior secured asset based revolving credit facility of up to \$75 million (the “2020 Revolving Credit Facility”), which matures on April 29, 2024. The 2020 Revolving Credit Facility includes a \$5.0 million letter of credit sublimit and provides for the issuance of Swing Loans. The applicable Credit Agreement also includes a provision permitting the Company, subject to certain conditions, to increase the aggregate amount of the commitments under the 2020 Revolving Credit Facility to an aggregate commitment amount of up to \$125 million with optional additional commitments from then existing Lenders or new commitments from additional lenders, although no Lender is obligated to increase its commitment. Availability is determined in accordance with the Borrowing Base, which is generally 85% of Eligible Accounts *minus* the Dilution Reserve, *plus* a calculated value of Eligible Inventory aged less than 181 days *plus* the lesser

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of \$4 million and a calculated value of Inventory aged more than 180 days *minus* a calculated Reserve, as further detailed and set forth in the Credit Agreement.

Borrowings initially accrue (or accrued) interest from the applicable borrowing date: (A) if a LIBOR Rate Loan, at a per annum rate equal to the LIBOR Rate *plus* the LIBOR Rate Margin of 2.25% until the March 31, 2021 financial statements were delivered and thereafter (i) if the Fixed Charge Coverage Ratio is less than 1.10:1.00, then the LIBOR Rate plus 2.25% or (ii) if the Fixed Charge Coverage Ratio is greater than or equal to 1.10:1.00, then the LIBOR Rate plus 2.00%; (B) if a Base Rate Loan, at a per annum rate equal to the Base Rate *plus* the Base Rate Margin of 1.25% per annum until the March 31, 2021 financial statements were delivered and thereafter (i) if the Fixed Charge Coverage Ratio is less than 1.10:1.00, then the Base Rate 1.25% or (ii) if the Fixed Charge Coverage Ratio is greater than or equal to 1.10:1.00, then the Base Rate plus 1.00%. The Credit Agreement contains a LIBOR floor of 0.25% so that if the LIBOR Rate is below 0.25%, then the LIBOR Rate will be deemed to be equal to 0.25% for purposes of the Credit Agreement. On June 27, 2021, the interest rate applicable to borrowings under the secured 2020 Revolving Credit Facility was 2.62%.

The Company is required to pay a monthly Unused Line Fee on the average daily unused portion of the 2020 Revolving Credit Facility, at a per annum rate equal to 0.25%.

Notwithstanding the above, pursuant to Amendment No. 1 to Credit Agreement dated July 12, 2021 (the "Amendment"), between Tesso and Wells, Wells agreed to a 25 basis point reduction in certain otherwise applicable rates and fees over a agreed period, as set forth in the Amendment. The Amendment also included certain changes related to the transition away from the use of LIBOR as a rate option, and is expected to simplify day-to-day management of the 2020 Revolving Credit Facility. It is anticipated that, so long as no event of default occurs, the interest rate applicable to borrowings under the 2020 Revolving Credit Facility will be lower than it otherwise would have been, going forward, until the end of the agreed period. This description is qualified in its entirety by the actual terms of the Amendment, a copy of which is attached as Exhibit 10.1 to this Quarterly Report on Form 10-Q.

Following an Event of Default, the Lenders' may at their option increase the applicable per annum rate to a rate equal to two percentage points above the otherwise applicable rate and, with certain events of default such increase is automatic. In addition, at the written election of the Agent or the Required Lenders at any time while an Event of Default exists, the Company will no longer have the option to request that revolving loans be based on the LIBOR Rate.

The Credit Agreement contains one financial covenant, a Fixed Charge Coverage Ratio, which is tested only if Excess Availability (generally, borrowing availability less the aggregate of trade payables and book overdrafts, each in excess of historical amounts) is less than the greater of (a) 16.7% of the maximum amount of the Credit Facility (at closing, \$12,525,000) and (b) \$12,500,000. In addition, the Credit Agreement contains provisions that could limit our ability to engage in specified transactions or activities, including (but not limited to) investments and acquisitions, sales of assets, payment of dividends, issuance of additional debt and other matters.

Borrowings under the 2020 Revolving Credit Facility were initially used to pay all indebtedness outstanding under the previously existing credit facility among the Company and certain subsidiaries, the lenders party thereto and Truist Bank (successor by merger to SunTrust Bank), as administrative agent, and may be used for working capital and other general corporate purposes, and as further provided in, and subject to the applicable terms of, the Credit Agreement. As of June 27, 2021, borrowings under the secured 2020 Revolving Credit Facility totaled \$39.7 million and, therefore, the Company had \$35.3 million available for borrowing as of June

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27, 2021, subject to the Borrowing Base limitation and compliance with the other applicable terms referenced above.

The Company is required to make certain prepayments under the 2020 Revolving Credit Facility under certain circumstances, including from net cash proceeds from certain asset dispositions in excess of certain thresholds.

The Credit Agreement contains representations, warranties and affirmative covenants. The Credit Agreement also contains negative covenants and restrictions on, among other things: (i) Indebtedness, (ii) liens, (iii) fundamental changes, (iv) disposition of assets, (v) restricted payments (including certain restrictions on redemptions and dividends), (vi) investments and (vii) transactions with affiliates. The Credit Agreement also contains events of default, such as payment defaults, cross-defaults to other material indebtedness, misrepresentations, bankruptcy and insolvency, the occurrence of a Change of Control and the failure to observe the negative covenants and other covenants contained in the Credit Agreement and the other loan documents.

Pursuant to a related Guaranty and Security Agreement, by and among the Company, the other borrowers under the Credit Agreement and other operating subsidiaries of the Company (collectively, the “Loan Parties”), and Wells, as Administrative Agent, the Obligations, which include the obligations under the Credit Agreement, are guaranteed by the Loan Parties, and secured by continuing first priority security interests in the Company’s and the other Loan Parties’ (including both borrowers and guarantors) Accounts, Books, Chattel Paper, Deposit Accounts, General Intangibles, Inventory, Negotiable Collateral, Supporting Obligations, Money, Cash Equivalents or other assets that come into the possession, custody or control of the Agent or any Lender, and related assets, and the proceeds and products of any of the foregoing (the “Collateral”). The security interests in the Collateral are in favor of the Administrative Agent, for the benefit of the Lenders party to the Credit Agreement from time to time and any other holders of the Obligations. The Obligations secured also include certain other obligations of the Loan Parties to the Lenders and their affiliates arising from time to time, relating to swaps, hedges and cash management and other bank products.

Note 6. Earnings Per Share

The Company presents the computation of earnings per share (“EPS”) on a basic and diluted basis. Basic EPS is computed by dividing net income by the weighted average number of shares outstanding during the reported period. Diluted EPS is computed similarly to basic EPS, except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential additional common shares that were dilutive had been issued. Common shares are excluded from the calculation if they are determined to be anti-dilutive. Diluted EPS was equal to basic EPS for the fiscal quarter ended June 27, 2021 because the Company operated at a loss. The number of diluted weighted-average common shares would have been 8,943,722 for the fiscal quarter ended June 27, 2021, if the Company was in a positive earning position. At June 27, 2021, stock options with respect to 1,008,458 shares of common stock were outstanding, of which 705,958 were anti-dilutive. There were no anti-dilutive PSUs or RSUs outstanding as of June 27, 2021.

Note 7. Business Segment

After exiting our Retail business, the Company operates as one business segment. The Company will continue to present revenue and gross profit by the following customer markets: (1) public carriers, which are generally responsible for building and maintaining the infrastructure system and provide airtime service to individual subscribers; and (2) commercial, formerly value-added resellers and integrators, which includes value-added resellers, the government channel and private system operator markets.

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Market activity for the first quarter of fiscal years 2022 and 2021 are as follows (in thousands):

	Three Months Ended	
	June 27, 2021	June 28, 2020
Revenues		
Public carrier	\$ 46,020	\$ 39,255
Commercial	58,936	57,223
Total revenues	\$ 104,956	\$ 96,478
Gross Profit		
Public carrier	\$ 5,322	\$ 3,728
Commercial	14,364	12,725
Total gross profit	\$ 19,686	\$ 16,453

Note 8. Leases

The Company leases certain office spaces and equipment. Leases with an initial term of twelve months or less are not recorded on the balance sheet. The Company's leases include rental payments adjusted for inflation. The right-of-use lease asset and lease liability are recorded on our Consolidated Balance Sheets.

Quantitative information regarding the Company's leases is as follows:

	As of June 27, 2021
Maturities of lease liabilities by fiscal year are as follow:	
2022	\$ 3,164,000
2023	3,018,300
2024	2,725,700
2025	2,609,900
2026	1,987,600
Total	13,505,500
Less: present value discount	(2,636,100)
Present value of lease liabilities	\$ 10,869,400
Weighted-average discount rate:	3.9%
Weighted-average remaining lease term	4.5 years

Note 9. Shares Withheld

The Company withholds shares of common stock from its employees and directors at their request, equal to the minimum federal and state tax withholdings or proceeds due to the Company related to vested PSUs, stock option exercises and vested RSUs. For the three months ended June 27, 2021 and June 28, 2020, the aggregate value of the shares withheld totaled \$28,900 and \$58,800, respectively.

Note 10. Concentration of Risk

The Company's future results could be negatively impacted by the loss of certain customer and/or vendor relationships.

For the fiscal quarter ended June 27, 2021 and June 28, 2020, revenue from the Company's largest customer

accounted for 7.2% and 12.9% of revenue from continuing operations, respectively.

For the fiscal quarter ended June 27, 2021, sales of products purchased from the Company's largest supplier accounted for 33.3% of revenue from continuing operations. For the fiscal quarter ended June 28, 2020, sales of products purchased from the Company's largest supplier accounted for 26.8% of revenue from continuing operations. No other suppliers accounted for more than 10% of consolidated revenue.

Note 11. Discontinued Operations

At a closing on December 2, 2020, the Company sold most of its retail inventory, the Ventev brand as it relates to mobile device accessory products, and certain other retail-related assets to Voice Comm, LLC (Voice Comm). Cash proceeds of \$9.5 million were received at closing, which occurred during the third quarter of fiscal 2021. As part of the sale agreement, the Company is entitled to royalty payments of up to \$3.0 million in the aggregate on the sale of Ventev branded products by Voice Comm over a four-year period after the closing. Additionally, future customer returns to the Company may be resold to Voice Comm over a two-year period after the closing.

As a result of the disposal described above, the operating results of the former Retail segment has been included in Income (loss) from discontinued operations, net of taxes, in the Consolidated Statements of (Loss) Income for all periods presented.

The accompanying Consolidated Financial Statements for all periods presented reflect the results of the Retail segment as a discontinued operation. The following table presents the financial results of the Retail segment for the three months ended June 27, 2021 and June 28, 2020:

	Three Months Ended	
	June 27, 2021	June 28, 2020
Revenues	\$ 1,498,800	\$ 23,335,900
Cost of goods sold	424,900	20,962,900
Gross profit	1,073,900	2,373,000
Selling, general and administrative expenses	584,400	2,201,900
Goodwill impairment	—	—
Income from operations	489,500	171,100
Gain on disposal	—	—
Income before benefit from income taxes	489,500	171,100
Benefit from income taxes	(6,000)	(66,200)
Net income attributable to discontinued operations	\$ 495,500	\$ 237,300

The financial results reflected above may not fully represent our former Retail segment stand-alone operating net profit, as the results reported within Income (loss) from discontinued operations, net of taxes, include only certain costs that are directly attributable to this former segment and exclude certain corporate overhead and operational costs that may have been previously allocated for each period.

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The following table summarizes the major classes of assets attributable to discontinued operations that are included in the Current portion of assets held for sale in the Company's Consolidated Balance Sheets as of June 27, 2021 and March 28, 2021:

	<u>June 27, 2021</u>	<u>March 28, 2021</u>
ASSETS		
Product inventory, net	\$ 1,042,600	\$ 1,196,900
Current portion of assets held for sale	<u>\$ 1,042,600</u>	<u>\$ 1,196,900</u>

The product inventory remaining at June 27, 2021 represents Retail inventory that was not sold to Voice Comm. Management intends to sell through this inventory in the near term in alignment with the plan to exit the Retail business.

In our Consolidated Statements of Cash Flows, the cash flows from discontinued operations are not separately classified. Cash provided by operating activities from discontinued operations for the three months ended June 27, 2021 and June 28, 2020 was \$4.1 million and \$1.6 million, respectively.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations. This commentary should be read in conjunction with the Management’s Discussion and Analysis of Financial Condition and Results of Operations from the Company’s Annual Report on Form 10-K for the fiscal year ended March 28, 2021, filed with the SEC on June 11, 2021.

Business Overview and Environment

Tessco architects and delivers innovative product and value chain solutions to support wireless systems. Although we sell products to customers in many countries, approximately 97% of our sales are made to customers in the United States. We have operations and office facilities in Hunt Valley, Maryland, Reno, Nevada and San Antonio, Texas.

On December 2, 2020, we sold most of our Retail inventory and certain other retail-related assets to Voice Comm. In connection with this sale, we assigned or licensed certain Ventev®- related intellectual property to Voice Comm, including our Ventev® trademark for their use in connection with the sale of mobile device and accessory products. Together, this resulted in our exit from our Retail business. Cash proceeds of \$9.5 million were received at the time of sale. As part of the sale agreement, we are entitled to royalty payments, up to \$3.0 million in the aggregate, on the sale of Ventev® branded products by Voice Comm over a four-year period after closing. Additionally, some customer returns we receive may be resold to Voice Comm over a two-year period after closing. As a result of the disposal, the operating results of our former Retail segment have been included in Income (loss) from discontinued operations, net of taxes in the Consolidated Statements of (Loss) Income for all periods presented. We retain the Ventev® tradename for non-mobile device accessory products.

As a result of this sale and our exit from the Retail business during the third quarter of fiscal 2021, we now operate as one business segment.

We provide certain information within two key markets: (1) public carriers, which are generally responsible for building and maintaining the infrastructure system and provide airtime service to individual subscribers; and (2) commercial, which includes value-added resellers, the government channel and private system operator markets.

We offer a wide range of products that are classified into three categories: base station infrastructure; network systems; and installation, test and maintenance. Base station infrastructure products are used to build, repair and upgrade wireless telecommunications. Sales of traditional base station infrastructure products, such as base station radios, cable and transmission lines and antennas are in part dependent on capital spending in the wireless communications industry. Network systems products are used to build and upgrade computing and internet networks. In this category, we have also been growing our offering of wireless broadband, network equipment, security and surveillance products, which are not as dependent on the overall capital spending of the industry. Installation, test and maintenance products are used to install, tune, and maintain wireless communications equipment. This category is made up of sophisticated analysis equipment and various frequency-, voltage- and power-measuring devices, replacement parts and components as well as an assortment of tools, hardware and supplies required by service technicians.

The wireless communications distribution industry is competitive and fragmented, and is comprised of several national distributors. In addition, many manufacturers sell direct. Barriers to entry for distributors are relatively low, and the risk of new competitors entering the market is high. Consolidation of larger wireless carriers has and will most likely continue to impact our current and potential customer base. In addition, the agreements or arrangements with our customers or suppliers looking to us for product and supply chain solutions are typically of limited duration and are terminable by either party upon several months or otherwise short notice. Our ability

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to maintain these relationships is subject to competitive pressures and challenges. We believe, however, that our strength in service, the breadth and depth of our product offering, our information technology system, our large customer base and our purchasing relationships with approximately 300 manufacturers provide us with a significant competitive advantage over new entrants to the market.

Results of Continuing Operations

First quarter of Fiscal Year 2022 Compared with First quarter of Fiscal Year 2021

Total Revenues. Revenues for the first quarter of fiscal 2022 increased 8.8% compared with the first quarter of fiscal 2021. Revenues in our commercial market (formerly referred to as VAR and Integrator) increased 3.0%, and revenue in our public carrier market increased 17.2%. This increase in the public carrier market was due to gaining additional market share and improving macro-economic trends as the impact of the COVID-19 pandemic lessens. The increase in commercial market revenues was also largely driven by the lower impact of COVID-19.

Cost of Goods Sold. Cost of goods sold for the first quarter of fiscal 2022 increased 6.6% compared with the first quarter of fiscal 2021. Cost of goods sold in our public carrier market increased by 14.6%, and cost of goods sold in our commercial market increased by 0.2%, in each case for the first quarter year-over-year. These changes in cost of goods sold in both markets were largely driven by changes in revenue and customer mix, as discussed above.

As discussed above under the heading “Business Overview and Environment,” our ongoing ability to earn revenues and gross profits from customers and suppliers depends upon a number of factors that often differ for each relationship. Agreements or arrangements on which these relationships are based typically do not include any obligation in respect of any specific product purchase or sale, are of limited duration, and are terminable by either party upon relatively short notice. We have been affected from time to time in the past by the loss and changes in the business habits of significant customers and suppliers, and expect that we will again be so affected from time to time in the future. Our customer and supplier relationships could also be affected by wireless carrier consolidation or the overall global economic environment, or other events beyond our control, including the COVID-19 pandemic.

Total Gross Profit. Gross profit for the first quarter of fiscal 2022 increased by 19.7% compared to the first quarter of fiscal 2021. This increase was primarily due to increased revenues. Overall gross profit margin increased from 17.1% in last year’s first quarter to 18.8% for the first quarter of fiscal 2022. Gross profit margin in our public carrier market increased to 11.6% from 9.5% in the same quarter last year. Gross profit margin in our commercial market increased to 24.4% in the first quarter of fiscal 2022 from 22.2% in the same quarter last year. These gross margin improvements are primarily related to changes in customer and product mix, as well as higher freight charged to customers to offset increased freight costs included in selling, general, and administrative expenses.

Selling, General and Administrative Expenses. Total selling, general and administrative expenses increased by \$0.1 million for the first quarter of fiscal 2022, compared to the first quarter of fiscal 2021. Selling, general and administrative expenses as a percentage of revenues decreased from 22.3% for the first quarter of fiscal 2021, to 20.6% for the first quarter of fiscal 2022.

The increase in our selling, general and administrative expenses was primarily due to an increase of \$1.2 million in freight expense, resulting from higher sales and higher rates due to national supply chain constraints and higher compensation and benefits cost of \$0.7 million, primarily related to higher sales commissions and increased health insurance costs. These increases were partially offset by a \$1.4 million decrease in information technology expenses during the first quarter of fiscal 2022 as compared to the first quarter of fiscal 2021.

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We continually evaluate the credit worthiness of our existing customer receivable portfolio and provide an appropriate reserve based on this evaluation. We also evaluate the credit worthiness of prospective and current customers and make decisions regarding extension of credit terms to such customers based on this evaluation. We had bad debt expense of \$187,800 and \$30,400, for the three months ended June 27, 2021 and June 28, 2020, respectively.

Interest, Net. Net interest expense increased from \$110,700 for the first quarter of fiscal 2021 to \$213,700 for the first quarter of fiscal 2022. An increase in the average amount outstanding and higher interest rates under our 2020 Revolving Credit Facility resulted in increased interest expense in the first fiscal quarter of 2022. In addition, capitalized interest increased from \$48,800 from the first quarter of fiscal 2021 to \$210,500 for the first quarter of fiscal 2022.

Income Taxes, Net Income and Diluted Earnings per Share. The effective tax rate decreased from 6.2% for the first quarter of fiscal 2021 to 1.8% for the first quarter of fiscal 2022. Net loss decreased 54.6% and diluted loss per share decreased from \$(0.56) to \$(0.25) for the first quarter of fiscal 2022, compared to the corresponding prior-year quarter.

Discontinued Operations. Net income from discontinued operations was \$0.5 million for the first quarter of fiscal year 2022 compared to \$0.2 million for the first quarter of fiscal year 2021. See footnote 11, “Discontinued Operations”, for further discussion.

Liquidity and Capital Resources

The following table summarizes our cash flows provided by or used in operating, investing and financing activities for the three months ended June 27, 2021 and June 28, 2020.

	Three Months Ended	
	June 27, 2021	June 28, 2020
Cash flow (used in) provided by operating activities	\$ (5,832,300)	\$ 3,439,100
Cash flow used in investing activities	(2,173,900)	(3,212,600)
Cash flow provided by (used in) financing activities	9,103,700	(275,600)
Net increase (decrease) in cash and cash equivalents	\$ 1,097,500	\$ (49,100)

Net cash used in operating activities was \$5.8 million for the first three months of fiscal 2022, compared with net cash provided by operating activities of \$3.4 million for the first three months of fiscal 2021. The fiscal 2022 outflow was due to the net loss, and the increase in inventory, accounts receivable and prepaid expenses, partially offset by an increase in accounts payable.

Net cash used in investing activities was \$2.2 million for the first three months of fiscal 2022, compared to \$3.2 million used in the first three months of fiscal 2021. Both years are related to capital expenditures, largely comprised of investments in information technology.

Net cash provided by financing activities was \$9.1 million for the first three months of fiscal 2022, compared to net cash used in financing activities of \$0.3 million for the first three months of fiscal 2021. We utilized our asset based secured Revolving Credit Facility during the first three months of fiscal 2022, leading to a cash inflow of \$9.1 million during this period. During the first three months of fiscal 2021, we utilized our asset based secured Revolving Credit Facility, leading to a cash outflow of \$0.2 million during this period.

On October 29, 2020, we entered into a Credit Agreement (the “Credit Agreement”) among the Company, the Company’s primary operating subsidiaries as co-borrowers, the Lenders party thereto, and Wells Fargo Bank, National Association (“Wells”), as Administrative Agent, swingline lender and an issuing bank, and terminated our previous secured Revolving Credit Facility. The Credit Agreement provides for a senior secured asset based revolving credit facility of up to \$75 million (the “2020 Revolving Credit Facility”), which matures in forty-two months, on April 29, 2024. This new facility replaced a previously existing facility. As of June 27, 2021, borrowings under the secured 2020 Revolving Credit Facility totaled \$39.7 million; therefore, we then had \$35.3 million available, subject to the Borrowing Base limitations and compliance with the other applicable terms of the Credit Agreement, including the financial and other covenants discussed in Note 5 to our Consolidated Financial Statements included in this Quarterly Report on Form 10-Q. Borrowings under the Credit Agreement accrue interest at the rates, and the Company is required to pay a monthly commitment fee, as also discussed in Note 5 to our Consolidated Financial Statements included in this Quarterly Report on Form 10-Q.

We believe that our existing cash, payments from customers and availability under the secured 2020 Revolving Credit Facility will be sufficient to support our operations for at least the next twelve months. To minimize interest expense, our policy is to apply excess available cash to reduce the balance outstanding from time to time on our secured Revolving Credit Facility. Our increased focus over the past several years on business opportunities for sales to our public carrier customers led to the recent expansion of our borrowing limits, as now reflected in the 2020 secured Revolving Credit Facility, and has at times resulted in increased borrowings and dependence on that facility. We expect this trend to continue, although at present we have no plans for any further expansion of the current facility. If we were to undertake an acquisition or other major capital purchases that require funds in excess of existing sources of liquidity, we would look to sources of funding from additional credit facilities, debt and/or equity issuances. As of June 27, 2021, we do not have any material capital expenditure commitments.

In addition, our liquidity could be negatively impacted by decreasing revenues and profits resulting from a decrease in demand for our products or a reduction in capital expenditures by our customers, or by the weakened financial conditions of our customers or suppliers, in each case as a result of a downturn in the global economy, among other factors.

Recent Accounting Pronouncements

A description of recently issued and adopted accounting pronouncements is contained in Note 2 to our Consolidated Financial Statements.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based on our unaudited Consolidated Financial Statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amount of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions.

For a detailed discussion on our critical accounting policies, please refer to our Annual Report on Form 10-K for the fiscal year ended March 28, 2021, filed with the SEC on June 11, 2021.

Off-Balance Sheet Arrangements

We have no material off-balance sheet arrangements.

Forward-Looking Statements

This Quarterly Report on Form 10-Q may contain forward-looking statements. These forward-looking statements may generally be identified by the use of the words “may,” “will,” “expects,” “anticipates,” “believes,” “estimates,” “intends,” “projects,” “plans,” “should,” “would,” “could,” and similar expressions, but the absence of these words or phrases does not necessarily mean that a statement is not forward looking. Forward looking statements involve a number of known and unknown risks and uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Our actual results may differ materially from those described in or contemplated by any such forward-looking statement for a variety of reasons, including those risks identified in our most recent Annual Report on Form 10-K, this Quarterly Report on Form 10-Q, and other periodic reports filed with the SEC, under the heading “Risk Factors” and otherwise. Consequently, the reader is cautioned to consider all forward-looking statements in light of the risks to which they are subject.

We are not able to identify or control all circumstances that could occur in the future that may adversely affect our business and operating results. Without limiting the risks that we describe in our periodic reports and elsewhere, among the risks that could lead to a materially adverse impact on our business or operating results are the following: the impact and results of any new or continued activism activities by Robert B. Barnhill, Jr. and/or other activist investors; termination or non-renewal of limited duration agreements or arrangements with our suppliers and affinity partners which are typically terminable by either party upon several months or otherwise relatively short notice; loss of significant customers, suppliers or relationships, including affinity relationships; loss of customers or reduction in customers’ business either directly or indirectly as a result of consolidation among large wireless service carriers and others within the wireless communications industry; any deterioration in the strength of our customers’, suppliers and affinity partners’ businesses; increasingly negative or adverse economic conditions, including those adversely affecting consumer confidence or consumer or business spending, or otherwise adversely affecting our suppliers or customers, including their access to capital or liquidity or our customers’ demand for, or ability to fund or pay for the purchase, our products and services; our dependence on a relatively small number of suppliers, which could hamper our ability to maintain appropriate inventory levels and meet customer demand; changes in customer and product mix that affect gross margin; effect of “conflict minerals” regulations on the supply and cost of certain of our products; failure of our information technology system or distribution system or our inability to maintain or upgrade our technology or telecommunications systems without undue cost, incident or delay; system security and data protection breaches and exposure to cyber-attacks, and the cost associated with ongoing efforts to maintain cyber-security measures and to meet applicable compliance standards; damage or destruction to our distribution or other facilities; prolonged or otherwise unusual quality or performance control problems; technology changes in the wireless communications industry, or technological failures, which could lead to significant inventory obsolescence or devaluation and/or our inability to offer key products that our customers demand; third-party freight carrier interruption; increased competition from competitors, including manufacturers or national and regional distributors of the products we sell and the absence of significant barriers to entry which could result in pricing and other pressures on profitability and market share; our relative bargaining power and inability to negotiate favorable terms with our suppliers and customers; our inability to access capital and obtain financing as and when needed; transitional and other risks associated with acquisitions of companies that we may undertake in an effort to expand our business or with dispositions of lines of business; claims against us for breach of the intellectual property rights of third parties; product liability claims; our inability to protect certain

intellectual property, including systems and technologies on which we rely; our inability to hire or retain for any reason our key professionals, management and staff; health epidemics or pandemics or other outbreaks or events, or national or world events or disasters beyond our control, changes in political and regulatory conditions, including tax and trade; and the possibility that, for unforeseen reasons, we may be delayed in entering into or performing, or may fail to enter into or perform, anticipated contracts or may otherwise be delayed in realizing or fail to realize anticipated revenues or anticipated savings.

Available Information

Our internet website address is: www.tessco.com. We make available free of charge through our website, our Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13 or 15(d) of the Exchange Act as soon as reasonably practicable after such documents are electronically filed with, or furnished to, the Securities and Exchange Commission. Also available on our Website is our Code of Business Conduct and Ethics.

Item 4. Controls and Procedures.

The Company's management, with the participation of the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934, as amended (Exchange Act)) as of the end of the period covered by this quarterly report. Controls and procedures, no matter how well designed and operated, can provide only reasonable, not absolute, assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of these controls and procedures required by Rules 13a-15(b) or 15d-15(b) of the Exchange Act, the Company's management, including the CEO and CFO, have concluded that, as of the end of the period covered by this quarterly report, the Company's disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and to provide reasonable assurance that such information is accumulated and communicated to the Company's management, including the Company's CEO and CFO, as appropriate to allow timely decisions regarding required disclosure. During the period covered by this quarterly report, there have been no changes to the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

Lawsuits and claims are filed against us from time to time in the ordinary course of business. We do not believe that any lawsuits or claims currently pending against the Company, individually or in the aggregate, are material, or will have a material adverse effect on our financial condition or results of operations. In addition, from time to time, we are 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. Currently, our Florida sales tax returns for the period February 1, 2018 through July 31, 2018 and our California sales tax returns for the period January 1, 2018 through December 31, 2018 are under examination by applicable taxing authorities.

As we are routinely audited by state taxing authorities, we have estimated exposure and established reserves for our estimated sales tax audit liability.

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

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

(a) EXHIBITS:

- 10.1* [Amendment No. 1 to Credit Agreement, dated as of July 12, 2021, among TESSCO Technologies Incorporated, the additional borrowers party thereto, the Lenders party thereto, and Wells Fargo Bank, National Association, as Administrative Agent for each member of the Lender Group and the Bank Product Providers.](#)
- 31.1.1* [Certification of Chief Executive Officer required by Rule 13a-14\(a\) or 15d-14\(a\) of the Securities Exchange Act of 1934, as amended pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 31.2.1* [Certification of Chief Financial Officer required by Rule 13a-14\(a\) or 15d-14\(a\) of the Securities Exchange Act of 1934, as amended pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 32.1.1* [Certification of periodic report by Chief Executive Officer Pursuant to 18 U.S.C. Section 1350 Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 32.2.1* [Certification of periodic report by Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 101.1* The following financial information from TESSCO Technologies, Incorporated's Quarterly Report on Form 10-Q for the quarter ended June 27, 2021 formatted in Inline XBRL: (i) Consolidated Statement of Income for the three months ended June 27, 2021 and June 28, 2020; (ii) Consolidated Balance Sheet at June 27 and March 28, 2021; (iii) Consolidated Statement of Cash Flows for the three months ended June 27, 2021 and June 28, 2020; and (iv) Notes to Consolidated Financial Statements.
- 104.1* Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101.1)

* Filed herewith

Signature

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

TESSCO TECHNOLOGIES INCORPORATED

Date: August 5, 2021

By: /s/ Aric M. Spitulnik
Aric Spitulnik
Chief Financial Officer
(principal financial and accounting officer)

AMENDMENT NO. 1 TO CREDIT AGREEMENT

AMENDMENT NO. 1 TO CREDIT AGREEMENT, dated July 12, 2021 (this "Amendment No. 1"), by and among WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association, in its capacity as agent pursuant to the Credit Agreement (as hereinafter defined) acting for and on behalf of the parties thereto as lenders (in such capacity, "Agent"), the parties to the Credit Agreement as lenders (individually, each a "Lender" and collectively, "Lenders"), TESSCO INCORPORATED, a Delaware corporation ("Tessco"), GW SERVICE SOLUTIONS, INC., a Delaware corporation ("GW"), TESSCO SERVICE SOLUTIONS, INC., a Delaware corporation ("Service"), and TCPM, INC., a Delaware corporation ("TCPM", and together with TESSCO, GW, SERVICE and any other Person that becomes a Borrower under the Credit Agreement, each individually a "Borrower", and collectively, the "Borrowers"), TESSCO TECHNOLOGIES INCORPORATED, a Delaware corporation ("Parent"), TESSCO BUSINESS SERVICES, LLC, a Delaware limited liability company ("TBS"), TESSCO INTEGRATED SOLUTIONS, LLC, a Delaware limited liability company ("TIS"), TESSCO COMMUNICATIONS INCORPORATED, a Delaware corporation ("TCI"), TESSCO FINANCIAL CORPORATION, a Delaware corporation ("TFC"), and WIRELESS SOLUTIONS INCORPORATED, a Maryland corporation ("WSI", and together Parent, TBS, TIS, TCI, TFC and any other Person that becomes a Guarantor under the Credit Agreement, each a "Guarantor" collectively "Guarantors").

WITNESSETH :

WHEREAS, Agent, Lenders, Borrowers and Guarantors have entered into financing arrangements pursuant to which Lenders (or Agent on behalf of Lenders) may make loans and advances and provide other financial accommodations to Borrowers as set forth in the Credit Agreement, dated October 29, 2020, by and among Agent, Lenders and Borrowers (as the same now exists and is supplemented pursuant hereto and may hereafter be further amended, modified, supplemented, extended, refinanced, renewed, restated or replaced, the "Credit Agreement") and the other Loan Documents;

WHEREAS, Borrowers desire to amend certain provisions of the Credit Agreement as set forth herein, and Agent and Lenders are willing to agree to such amendments on the terms and subject to the conditions set forth herein; and

WHEREAS, by this Amendment No. 1, Agent, Lenders, Borrowers and Guarantors desire and intend to evidence such amendment.

NOW THEREFORE, in consideration of the foregoing and the mutual agreements and covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Definitions

(a) Additional Definitions. As used herein, the following terms shall have the meanings given to them below and the Credit Agreement and the other Loan Documents are hereby amended to include, in addition and not in limitation, the following definitions:

(i) “Amendment No. 1” means Amendment No. 1 to Credit Agreement, dated July 12, 2021, by and among Agent, Lenders, Borrowers and Guarantors, as the same now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced.

(ii) “Applicable Period” means the period from the date of Amendment No. 1 through the earliest to occur of (a) two (2) years from the date of Amendment No. 1, (b) the date, as determined by Agent, in which the aggregate amount of the reduction in the amount of interest and fees payable by Borrowers after the date of Amendment No. 1 related to the modifications made by Amendment No. 1 with respect to the Applicable Margin, the LIBOR Rate floor, the Daily One Month LIBOR floor and the Unused Line Fee (including the reduction or elimination of any interest rate floors), totals \$400,000 or (c) to the extent applicable, the date, prior to the Maturity Date, of the termination of all of the Commitments and payment in full of the Obligations. For the avoidance of doubt, in making the calculation in clause (b) of the immediately preceding sentence, the ability of the Borrowers to borrow Loans at Daily One Month LIBOR shall not be taken into consideration (other than the absence of the twenty-five basis floor in clause (x) of the definition of “Daily One Month LIBOR” and in the definition of “LIBOR Rate”).

(iii) “Daily One Month LIBOR” means, as to any day, the rate per annum as published by ICE Benchmark Administration Limited (or any successor or other commercially available source of the London interbank offered rate as Lender may designate from time to time) as of 11:00 a.m., London time, on such day (or, for any day that is not a Business Day, the immediately preceding Business Day) for US dollar deposits for a one month period (and, if any such published rate is below (x) during the Applicable Period, zero percent (0.00%), then the rate determined pursuant to this definition shall be deemed to be zero percent (0.00%) and (y) at all times after the Applicable Period, one-quarter of one percent (0.25%), then the rate determined pursuant to this definition shall be deemed to be one-quarter of one percent (0.25%)). Each determination of Daily One Month LIBOR shall be made by Agent and shall be conclusive in the absence of manifest error.

(iv) “Daily One Month LIBOR Rate Loan” means a LIBOR Rate Loan consisting of a Revolving Loan that bears interest at a rate determined by reference to the Daily One Month LIBOR.

(v) “Daily One Month LIBOR Rate Margin” has the meaning set forth in the definition of Applicable Margin.

(b) Amendment to Definitions.

(i) During the Applicable Period, the definition of “Applicable Margin” set forth in the Credit Agreement is hereby amended by (A) deleting the reference in clause (a)(i) therein to “one and one-quarter percent (1.25%)” and replacing it with “one percent (1.00%)”,

(B) deleting the reference in clause (a)(ii) therein to “one percent (1.00%)” and replacing it with “three-quarters of one percent (0.75%)”, (C) deleting the reference in clause (b)(i) therein to “two and one-quarter percent (2.25%)” and replacing it with “two percent (2.00%)” and (D) deleting the reference in clause (b)(ii) therein to “two percent (2.00%)” and replacing it with “one and three-quarters percent (1.75%)”.

Such amendments shall cease to be effective after the end of the Applicable Period and as of the end of the Applicable Period and at all times thereafter, such references in the definition of Applicable Margin shall be as in effect immediately prior to the effectiveness of this Amendment No. 1.

(ii) The definition of “Applicable Margin” set forth in the Credit Agreement is hereby amended by (A) deleting the reference to “in the case of a LIBOR Rate Loan” in clause (b) thereof and replacing it with “in the case of a LIBOR Rate Loan consisting of Revolving Loans bearing interest at a rate determined by reference to the LIBOR Rate”, (B) deleting the period at the end of clause (b) therein and replacing it with “, and” and (C) adding the following new clause (c) at the end thereof: “(c) in the case of a LIBOR Rate Loan consisting of Revolving Loans bearing interest at a rate determined by reference to the Daily One Month LIBOR, (i) during the Applicable Period (x) two percent (2.00%) at all times that the Fixed Charge Coverage Ratio is less than 1.10:1.00 and (y) one and three-quarters percent (1.75%) at all times that the Fixed Charge Coverage Ratio is greater than or equal to 1.10:1.00 and (ii) at all times after the end of the Applicable Period (x) two and one-quarter percent (2.25%) at all times that the Fixed Charge Coverage Ratio is less than 1.10:1.00, and (y) two percent (2.00%) at all times that the Fixed Charge Coverage Ratio is greater than or equal to 1.10:1.00 (each such applicable rate, the “Daily One Month LIBOR Rate Margin”).”

(iii) The definition of “Applicable Margin” set forth in the Credit Agreement is hereby amended by deleting the last sentence thereof in its entirety and replacing it with the following:

“Subject to the provisos in clauses (a)(i) and (b)(i) above, the Applicable Margin shall be re-determined as of the first day of the month after the day that Borrowers have delivered monthly financial statements to Agent in accordance with Section 5.1 hereof.”

(iv) The definition of “Interest Period” set forth in the Credit Agreement is hereby amended by deleting each reference therein to “LIBOR Rate Loan” and replacing it with “LIBOR Rate Loan consisting of Revolving Loans bearing interest at a rate determined by reference to the LIBOR Rate”.

(v) During the Applicable Period, the definition of “LIBOR Rate” set forth in the Credit Agreement is hereby amended by deleting the reference therein to “(and, if any such published rate is below 0.25%, then the LIBOR Rate shall be deemed to be 0.25%)” and replacing it with “(and, if any such published rate is below zero, then the LIBOR Rate shall be deemed to be zero)”.

Such amendment shall cease to be effective after the end of the Applicable Period and as of the end of the Applicable Period and at all times thereafter, such reference shall be as in effect immediately prior to the effectiveness of this Amendment No. 1.

(vi) The definition of “LIBOR Rate Loan” set forth in the Credit Agreement is hereby deleted in its entirety and replaced with the following:

“LIBOR Rate Loan” means each portion of a Revolving Loan that either (a) bears interest at a rate determined by reference to the LIBOR Rate or (b) bears interest at a rate determined by reference to the Daily One Month LIBOR.

(c) Interpretation. For purposes of this Amendment No. 1, all terms used herein which are not otherwise defined herein, including but not limited to, those terms used in the recitals hereto, shall have the respective meanings assigned thereto in the Credit Agreement as amended by this Amendment No. 1.

2. Borrowing Procedures

(a) Section 2.3(a)(ii) of the Credit Agreement is hereby deleted in its entirety and replaced with the following: “(ii) on the Business Day that is one Business Day prior to the requested Funding Date in the case of a request for a Base Rate Loan or for a Daily One Month LIBOR Rate Loan, and”.

(b) Section 2.3(a) of the Credit Agreement is hereby amended by adding the following two sentences at the end thereof:

“Each requested Borrowing after the date of Amendment No. 1 (other than Swing Loans) shall be and shall be deemed to be Daily One Month LIBOR Rate Loans unless Borrowers elect in writing to Agent upon notice by Borrowers to Agent of such Borrowing that such Borrowing shall be a Base Rate Loan or a LIBOR Rate Loan (other than a Daily One Month LIBOR Rate Loan) in accordance with the terms of this Agreement. For the avoidance of doubt, the provisions in this Agreement relating to Daily One Month LIBOR and Daily One Month LIBOR Rate Loans shall continue in effect on and after the end of the Applicable Period”.

3. Making of Revolving Loans

Section 2.3(c)(i) of the Credit Agreement is hereby amended by deleting the first sentence thereof in its entirety and replacing it with the following:

“In the event that Swing Lender is not obligated to make a Swing Loan, then after receipt of a request for a Borrowing pursuant to Section 2.3(a)(i), Agent shall notify the Lenders by telecopy, telephone, email, or other electronic form of transmission, of the requested Borrowing; such notification to be sent on the Business Day that is (A) in the case of a Base Rate Loan or a Daily One Month LIBOR Rate Loan, at least one Business Day prior to the requested Funding Date, or (B) in the case of a LIBOR Rate Loan consisting of Revolving Loans bearing interest at a rate determined by reference to the LIBOR Rate, prior to 11:00 a.m. at least three Business Days prior to the requested Funding Date.”

4. Interest Rates

. Section 2.6(a)(i) of the Credit Agreement is hereby deleted in its entirety and replaced with the following:

“(i) if the relevant Obligation is (A) a LIBOR Rate Loan consisting of Revolving Loans bearing interest at a rate determined by reference to the LIBOR Rate, at a *per annum* rate equal to the LIBOR Rate *plus* the LIBOR Rate Margin or (B) a LIBOR Rate Loan consisting of Revolving Loans bearing interest at a rate determined by reference to the Daily One Month LIBOR, at a *per annum* rate equal to the Daily One Month LIBOR *plus* the Daily One Month LIBOR Rate Margin, and”

5. Unused Line Fee

. During the Applicable Period, Section 2.10(b) of the Credit Agreement is hereby amended by deleting the reference to “one-quarter of one percent (0.25%)” contained therein and replacing it with “zero percent (0%)”.

Such amendment shall cease to be effective after the end of the Applicable Period and as of the end of the Applicable Period and at all times thereafter, such reference shall be as in effect immediately prior to the effectiveness of this Amendment No. 1.

6. LIBOR Option

(a) Section 2.12(a) of the Credit Agreement is hereby amended by deleting the first sentence thereof in its entirety and replacing it with the following:

“In lieu of having interest charged at the rate based upon the Base Rate or the rate based upon the One Month Daily LIBOR, Borrowers shall have the option, subject to Section 2.12(b) below (the “LIBOR Option”) to have interest on all or a portion of the Revolving Loans be charged (whether at the time when made (unless otherwise provided herein), upon conversion from a Base Rate Loan or a Daily One Month LIBOR Rate Loan to a LIBOR Rate Loan consisting of Revolving Loans bearing interest at a rate determined by reference to the LIBOR Rate, or upon continuation of a LIBOR Rate Loan consisting of Revolving Loans bearing interest at a rate determined by reference to the LIBOR Rate as a LIBOR Rate Loan) at a rate of interest based upon the LIBOR Rate.”

(b) The next to last sentence of Section 2.12(a) of the Credit Agreement is hereby amended by deleting the reference to “Base Rate Loans” contained therein and replacing it with “Daily One Month LIBOR Loans”.

7. Illegality; Market Conditions / Increased Costs for Daily One Month LIBOR

. Section 2 of the Credit Agreement is hereby amended by adding the following new Section 2.16 and 2.17 at the end thereof:

“**2.16 Illegality; Market Conditions.** Notwithstanding anything to the contrary contained herein, other than as a result of the occurrence of a Benchmark Transition Event or an Early Opt-in Election, as such terms are defined in Schedule 2.16, if (a) any Change in Law makes it unlawful for Agent or any Lender to make or maintain a LIBOR Rate Loan or to maintain the Commitment with

respect to a LIBOR Rate Loan or (b) Agent or any Lender determines in good faith (which determination shall, absent manifest error, be final and conclusive and binding upon all parties hereto) that (i) it has become impractical as a result of a circumstance that adversely affects the London interbank market or the position of a Lender in such market to ascertain Daily One Month LIBOR, (ii) Daily One Month LIBOR cannot be determined pursuant to the definition thereof, or (iii) adequate and fair means do not exist for ascertaining the interest rate applicable to LIBOR Rate Loans on the basis provided for in the definition of Daily One Month LIBOR, then Agent or such Lender shall give notice thereof to a Borrowers and may (A) declare that LIBOR Rate Loans will not thereafter be made by Agent or any Lender, such that any request for a LIBOR Rate Loan shall be deemed to be a request for a Base Rate Loan unless such Lender's declaration has been withdrawn (and it shall be withdrawn promptly upon the cessation of the circumstances described in clause (a) or (b) above) and (B) require that all outstanding LIBOR Rate Loans made by Agent or Lenders be converted to Base Rate Loans immediately, in which event all outstanding LIBOR Rate Loans shall be so converted and all Obligations (except for the undrawn amount of any issued and outstanding Letters of Credit) shall bear interest at the Base Rate in effect from time to time, plus the Applicable Margin.

2.17 **Increased Costs.** If any Change in Law shall: (a) impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or credit extended or participated in by, Agent or any Lender (except any reserve requirement reflected in Daily One Month LIBOR); (b) subject Agent or any Lender to any Taxes with respect to any Loan Document or any LIBOR Rate Loans made by it, or change the basis of taxation of payments to Agent or any Lender in respect thereto (other than, in each case, Excluded Taxes); or (c) impose on Agent or any Lender or the London interbank market any other condition, cost or expense affecting any Loan Document or LIBOR Rate Loans, and the result of any of the foregoing shall be to increase the cost to Agent or any Lender of making or maintaining any LIBOR Rate Loan (or of maintaining its obligation to make any such Revolving Loan), or to increase the cost to Agent or any Lender or to reduce the amount of any sum received or receivable by Agent or any Lender hereunder (whether of principal, interest or any other amount) then, upon request of Agent or any such Lender, each Borrower will pay to Agent or any such Lender, such additional amount or amounts as will compensate Agent or any such Lender, as the case may be, for such additional costs incurred or reduction suffered.

8. Daily One Month LIBOR Replacement

. Schedule 2.16 to Credit Agreement attached hereto as Exhibit A is hereby added to the Credit Agreement.

9. Representations and Warranties

. Each Borrower and each Guarantor represents and warrants with and to Agent and Lenders as follows, which representations and warranties shall survive the execution and delivery hereof:

(a) no Default or Event of Default exists or has occurred and is continuing as of the date of this Amendment No. 1;

(b) this Amendment No. 1 and each other agreement to be executed and delivered by Borrowers and Guarantors in connection herewith (collectively, together with this Consent, the "Amendment No. 1 Documents") has been duly authorized, executed and delivered by all necessary corporate or limited liability company action on the part of each Borrower and each Guarantor which is a party hereto and, if necessary, its equity holders and is in full force and effect as of the date hereof and the agreements and obligations of each Borrower and each Guarantor contained herein and therein constitute legal, valid and binding obligations of each Borrower and each Guarantor, enforceable against each Borrower and each Guarantor in accordance with their terms, except as enforceability is limited by bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting generally the enforcement of creditors' rights and except to the extent that availability of the remedy of specific performance or injunctive relief is subject to the discretion of the court before which any proceeding therefor may be brought;

(c) the execution, delivery and performance of each Amendment No. 1 Document (i) are all within each Borrower's and each Guarantor's corporate or limited liability company powers and (ii) are not (A) in violation of any provision of federal, state or local law or regulation applicable to any Borrower or any Guarantor or the Governing Documents of any Borrower or any Guarantor, where any such violation could, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect or (B) conflict with, result in a breach of, or constitute (with due notice or lapse of time or both) a default under any Material Contract of any Borrower or any Guarantor, where any such conflict, breach or default could, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect; and

(d) all of the representations and warranties set forth in the Credit Agreement and the other Loan Documents, each as amended hereby, are true and correct in all material respects on and as of the date hereof, as if made on the date hereof, except to the extent any such representation or warranty is made as of a specified date, in which case such representation or warranty shall have been true and correct in all material respects as of such date.

10. Conditions Precedent

. The amendments contained herein shall only be effective upon the satisfaction of each of the following conditions precedent in a manner satisfactory to Agent:

(a) Agent shall have received counterparts of this Amendment No. 1, duly authorized, executed and delivered by Borrowers, Guarantors and the Lenders.

11. Effect of this Amendment

. Except as expressly set forth herein, no other amendments, changes or modifications to the Loan Documents are intended or implied, and in all other respects the Loan Documents are hereby specifically ratified, restated and confirmed by all

parties hereto as of the effective date hereof and Borrower shall not be entitled to any other or further amendment by virtue of the provisions of this Consent or with respect to the subject matter of this Consent. To the extent of conflict between the terms of this Amendment No. 1 and the other Loan Documents, the terms of this Amendment No. 1 shall control. The Credit Agreement and this Amendment No. 1 shall be read and construed as one agreement.

12. Governing Law

. The validity, interpretation and enforcement of this Consent and any dispute arising out of the relationship between the parties hereto whether in contract, tort, equity or otherwise, shall be governed by the internal laws of the State of New York but excluding any principles of conflicts of law or other rule of law that would cause the application of the law of any jurisdiction other than the laws of the State of New York.

13. Binding Effect

. This Amendment No. 1 shall be binding upon and inure to the benefit of each of the parties hereto and their respective successors and assigns.

14. Entire Agreement

. This Amendment No. 1 represents the entire agreement and understanding concerning the subject matter hereof among the parties hereto, and supersedes all other prior agreements, understandings, negotiations and discussions, representations, warranties, commitments, proposals, offers and contracts concerning the subject matter hereof, whether oral or written.

15. Headings

. The headings listed herein are for convenience only and do not constitute matters to be construed in interpreting this Amendment No. 1.

16. Counterparts

. This Amendment No. 1, any documents executed in connection herewith and any notices delivered under this Amendment No. 1, may be executed by means of (i) an electronic signature that complies with the federal Electronic Signatures in Global and National Commerce Act, state enactments of the Uniform Electronic Transactions Act, or any other relevant and applicable electronic signatures law; (ii) an original manual signature; or (iii) a faxed, scanned, or photocopied manual signature. Each electronic signature or faxed, scanned, or photocopied manual signature shall for all purposes have the same validity, legal effect, and admissibility in evidence as an original manual signature. Agent reserves the right, in its sole discretion, to accept, deny, or condition acceptance of any electronic signature on this Amendment No. 1 or on any notice delivered to Agent under this Amendment No. 1. This Amendment No. 1 and any notices delivered under this Amendment No. 1 may be executed in any number of counterparts, each of which shall be deemed to be an original, but such counterparts shall, together, constitute only one instrument. Delivery of an executed counterpart of a signature page of this Amendment No. 1 and any notices as set forth herein will be as effective as delivery of a manually executed counterpart of this Amendment No. 1 or notice.

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IN WITNESS WHEREOF, the parties hereto have caused this Amendment No. 1 to be duly executed and delivered by their authorized officers as of the day and year first above written.

WELLS FARGO BANK, NATIONAL
ASSOCIATION, as Agent and a Lender

By: /s/ Lynn Fiore_____

Name: Lynn Fiore_____

Title: Vice President_____

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BORROWERS:

TESSCO INCORPORATED

By: /s/ Sandip Mukerjee _____
Name: Sandip Mukerjee _____
Title: President and CEO _____

GW SERVICE SOLUTIONS, INC.

By: /s/ Sandip Mukerjee _____
Name: Sandip Mukerjee _____
Title: President and CEO _____

TESSCO SERVICE SOLUTIONS, INC.

By: /s/ Sandip Mukerjee _____
Name: Sandip Mukerjee _____
Title: President and CEO _____

TCPM, INC.

By: /s/ Sandip Mukerjee _____
Name: Sandip Mukerjee _____
Title: President and CEO _____

GUARANTORS:

**TESSCO TECHNOLOGIES
INCORPORATED**

By: /s/ Sandip Mukerjee _____
Name: Sandip Mukerjee _____
Title: President and CEO _____

TESSCO BUSINESS SERVICES, LLC

By: /s/ Sandip Mukerjee _____
Name: Sandip Mukerjee _____
Title: President and CEO _____

TESSCO INTEGRATED SOLUTIONS, LLC

By: /s/ Sandip Mukerjee _____
Name: Sandip Mukerjee _____
Title: President and CEO _____

**TESSCO COMMUNICATIONS
INCORPORATED**

By: /s/ Sandip Mukerjee _____
Name: Sandip Mukerjee _____
Title: President and CEO _____

TESSCO FINANCIAL CORPORATION

By: /s/ Sandip Mukerjee _____
Name: Sandip Mukerjee _____
Title: President and CEO _____

WIRELESS SOLUTIONS INCORPORATED

By: /s/ Sandip Mukerjee _____
Name: Sandip Mukerjee _____
Title: President and CEO _____

Exhibit A
to
Amendment No. 1 to Credit Agreement

See attached.

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A-1

SCHEDULE 2.16
TO
CREDIT AGREEMENT

Daily One Month LIBOR Replacement

Defined terms used in this Schedule 2.16 that are not otherwise defined in this Agreement are set forth at the end of this Schedule 2.16. To the extent that any term used herein is also defined elsewhere in the Credit Agreement, then (i) for purposes of this Schedule 2.16 only, the definition set forth in this Schedule 2.16 shall apply and not the definition elsewhere in the Credit Agreement and (ii) for all other purposes of the Loan Documents other than this Schedule 2.16, the definition in the Credit Agreement shall apply.

1. Benchmark Replacement. Notwithstanding anything to the contrary herein or in any other Loan Document, upon the occurrence of a Benchmark Transition Event or an Early Opt-in Election, as applicable, Agent may amend this Agreement to replace the then-current Benchmark with a Benchmark Replacement. Any such amendment will become effective at 5:00 p.m. on the fifth Business Day after Agent has provided such amendment to Administrative Borrower without any further action or consent of any Loan Party, so long as Agent has not received, by such time, written notice of objection to such amendment from Administrative Borrower if such amendment is with respect to an Early Opt-in Election. No replacement of a Benchmark with a Benchmark Replacement pursuant to this Schedule 2.16 will occur prior to the applicable Benchmark Transition Start Date.

2. Benchmark Replacement Conforming Changes. In connection with a Benchmark Replacement, Agent will have the right to make Benchmark Replacement Conforming Changes from time to time and, notwithstanding anything to the contrary herein or in any other Loan Document, any amendments implementing such Benchmark Replacement Conforming Changes will become effective without any further action or consent of any Loan Party.

3. Notices; Standards for Decisions and Determinations. Agent will promptly notify Administrative Borrower of (a) any occurrence of a Benchmark Transition Event or an Early Opt-in Election, as applicable, and its related Benchmark Replacement Date and Benchmark Transition Start Date, (b) the implementation of any Benchmark Replacement, (c) the effectiveness of any Benchmark Replacement Conforming Changes and (d) the commencement or conclusion of any Benchmark Unavailability Period. Any determination, decision or election that may be made by Agent pursuant to this Schedule 2.16, including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action, will be conclusive and binding absent manifest error and may be made in Agent's sole discretion and without consent from any Loan Party, except, in each case, as expressly required pursuant to this Schedule 2.16.

4. Benchmark Unavailability Period. Upon Administrative Borrower's receipt of notice of the commencement of a Benchmark Unavailability Period, Agent may (a) declare that

Daily One Month LIBOR Rate Loans will not thereafter be made by Agent or any Lender, such that any request for a Daily One Month LIBOR Rate Loan shall be deemed to be a request for a Base Rate Loan and (b) require that all outstanding Daily One Month LIBOR Rate Loans made by Agent or any Lender be converted to Base Rate Loans immediately, in which event all outstanding Daily One Month LIBOR Rate Loans shall be so converted and shall bear interest at the Base Rate in effect from time to time, plus the Applicable Margin. The Base Rate in effect from time to time plus the Applicable Margin shall replace the then-current Benchmark for any determination of interest hereunder or under any other Loan Document during a Benchmark Unavailability Period.

5. London Interbank Offered Rate Benchmark Transition Event. On March 5, 2021, the ICE Benchmark Administration (the “IBA”), the administrator of the London interbank offered rate, and the Financial Conduct Authority, the regulatory supervisor of the IBA, announced in public statements (the “Announcements”) that the final publication or representativeness date for Dollars for (a) 1-week and 2-month London interbank offered rate tenor settings will be December 31, 2021 and (b) overnight, 1-month, 3-month, 6-month and 12-month London interbank offered rate tenor settings will be June 30, 2023. No successor administrator for the IBA was identified in such Announcements. The parties hereto agree and acknowledge that the Announcements resulted in the occurrence of a Benchmark Transition Event with respect to the London interbank offered rate pursuant to the terms of the Loan Documents and that any obligation of Lender to notify any parties of such Benchmark Transition Event pursuant to Section 3 of this Schedule 2.16 shall be deemed satisfied.

6. Certain Defined Terms. As used in this Schedule 2.16:

“Benchmark” means, initially, Daily One Month LIBOR, provided, that, if a Benchmark Transition Event or an Early Opt-in Election, as applicable, has occurred with respect to Daily One Month LIBOR or the then-current Benchmark, then “Benchmark” means the applicable Benchmark Replacement to the extent that such Benchmark Replacement has become effective pursuant to the provisions of this Schedule 2.16.

“Benchmark Replacement” means the sum of: (a) the alternate benchmark rate (which may include Term SOFR) that has been selected by Agent giving due consideration to (i) any selection or recommendation of a replacement rate or the mechanism for determining such a rate by the Relevant Governmental Body or (ii) any evolving or then-prevailing market convention for determining a rate of interest as a replacement to the then-current Benchmark for U.S. dollar-denominated syndicated or bilateral credit facilities and (b) the Benchmark Replacement Adjustment; provided, that, if the Benchmark Replacement as so determined would be less than (x) during the Applicable Period, zero percent (0.00%), the Benchmark Replacement will be deemed to be zero percent (0.00%) for purposes of this Agreement and (y) at all times after the Applicable Period, one-quarter of one percent (0.25%), the Benchmark Replacement will be deemed to be one-quarter of one percent (0.25%) for the purposes of this Agreement

“Benchmark Replacement Adjustment” means, with respect to any replacement of the then-current Benchmark with an Unadjusted Benchmark Replacement, the spread adjustment, or

method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected by Agent giving due consideration to (a) any selection or recommendation of a spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the then-current Benchmark with the applicable Unadjusted Benchmark Replacement by the Relevant Governmental Body or (b) any evolving or then-prevailing market convention for determining a spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the then-current Benchmark with the applicable Unadjusted Benchmark Replacement for U.S. dollar-denominated syndicated or bilateral credit facilities at such time.

“Benchmark Replacement Conforming Changes” means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the timing and frequency of determining rates and making payments of interest, prepayment provisions, and other administrative matters) that Agent decides may be appropriate to reflect the adoption and implementation of such Benchmark Replacement and to permit the administration thereof by Agent in a manner substantially consistent with market practice (or, if Agent decides that adoption of any portion of such market practice is not administratively feasible or if Agent determines that no market practice for the administration of the Benchmark Replacement exists, in such other manner of administration as Agent decides is reasonably necessary in connection with the administration of this Agreement).

“Benchmark Replacement Date” means the earlier to occur of the following events with respect to the then-current Benchmark:

(a) in the case of clause (a) or (b) of the definition of “Benchmark Transition Event,” the later of (i) the date of the public statement or publication of information referenced therein and (ii) the date on which the administrator of the Benchmark permanently or indefinitely ceases to provide the Benchmark; or

(b) in the case of clause (c) of the definition of “Benchmark Transition Event,” the date of the public statement or publication of information referenced therein.

“Benchmark Transition Event” means the occurrence of one or more of the following events with respect to the then-current Benchmark:

(a) a public statement or publication of information by or on behalf of the administrator of the Benchmark announcing that such administrator has ceased or will cease to provide the Benchmark, permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark;

(b) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark, the U.S. Federal Reserve System, an insolvency official with jurisdiction over the administrator for the Benchmark, a resolution authority with jurisdiction over the administrator for the Benchmark or a court or an entity with similar insolvency

or resolution authority over the administrator for the Benchmark, which states that the administrator of the Benchmark has ceased or will cease to provide the Benchmark permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark; or

(c) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark announcing that the Benchmark is no longer representative.

“Benchmark Transition Start Date” means (a) in the case of a Benchmark Transition Event, the earlier of (i) the applicable Benchmark Replacement Date and (ii) if such Benchmark Transition Event is a public statement or publication of information of a prospective event, the 90th day prior to the expected date of such event as of such public statement or publication of information (or if the expected date of such prospective event is fewer than 90 days after such statement or publication, the date of such statement or publication) and (b) in the case of an Early Opt-in Election, the date specified by Agent by notice to Administrative Borrower, so long as Agent has not received, by such date, written notice of objection to such Early Opt-In Election from Administrative Borrower.

“Benchmark Unavailability Period” means, if a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to the then-current Benchmark and solely to the extent that the Benchmark has not been replaced with a Benchmark Replacement, the period (a) beginning at the time that such Benchmark Replacement Date has occurred if, at such time, no Benchmark Replacement has replaced the Benchmark for all purposes hereunder in accordance with this Schedule 2.16 and (b) ending at the time that a Benchmark Replacement has replaced the Benchmark for all purposes hereunder pursuant to this Schedule 2.16.

“Early Opt-in Election” means the occurrence of:

(a) a determination by Agent that at least five currently outstanding U.S. dollar-denominated syndicated or bilateral credit facilities at such time contain (as a result of amendment or as originally executed) as a benchmark interest rate, in lieu of the then-current Benchmark, a new benchmark interest rate to replace the Benchmark, and

(b) the election by Agent to declare that an Early Opt-in Election has occurred and the provision by Agent of written notice of such election to Administrative Borrower.

“Federal Reserve Bank of New York’s Website” means the website of the Federal Reserve Bank of New York at <http://www.newyorkfed.org>, or any successor source.

“Relevant Governmental Body” means the Federal Reserve Board and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York or any successor thereto.

“SOFR” with respect to any day means the secured overnight financing rate published for such day by the Federal Reserve Bank of New York, as the administrator of the benchmark, (or a successor administrator) on the Federal Reserve Bank of New York’s Website.

“Term SOFR” means the forward-looking term rate based on SOFR that has been selected or recommended by the Relevant Governmental Body.

“Unadjusted Benchmark Replacement” means the Benchmark Replacement excluding the Benchmark Replacement Adjustment.

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CERTIFICATION

I, Sandip Mukerjee, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended June 27, 2021 of TESSCO Technologies Incorporated;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2021

By: /s/ Sandip Mukerjee

Sandip Mukerjee

President and Chief Executive Officer

CERTIFICATION

I, Aric Spitulnik, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended June 27, 2021 of TESSCO Technologies Incorporated;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2021

By: /s/ Aric M. Spitulnik

Aric Spitulnik

Senior Vice President, Corporate Secretary and
Chief Financial Officer

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002**

I, Sandip Mukerjee, Chief Executive Officer of TESSCO Technologies Incorporated (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

1. The Quarterly Report on Form 10-Q of the Company for the quarter ended June 27, 2021 (the "Report"), fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 5, 2021

By: /s/ Sandip Mukerjee
Sandip Mukerjee

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. § 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002**

I, Aric Spitulnik, Chief Financial Officer of TESSCO Technologies Incorporated (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

1. The Quarterly Report on Form 10-Q of the Company for the quarter ended June 27, 2021 (the "Report"), fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 5, 2021

By: /s/ Aric M. Spitulnik
Aric Spitulnik

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. § 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.
