

## REPORT TO STOCKHOLDERS

### Third Quarter and the First Nine Months of 2003 Results of Operations

Third quarter 2003 sales of \$6,357,000 increased 7.0 % compared to third quarter 2002 sales of \$5,939,000. Operating loss in the third quarter of 2003 was \$431,000, which takes into account a third quarter personnel restructuring charge of \$54,000, compared to operating income of \$72,000 in the third quarter of 2002.

Net loss for the third quarter of 2003 was \$484,000 or \$.16 per share, giving effect to the impact of the personnel restructuring charge of \$.02 per share and the gain on the disposition of real estate assets of \$33,000 or \$.01 per share, compared to net income of \$57,000 or \$.02 per share recorded for the third quarter of 2002.

For the first nine months of 2003 sales of \$19,481,000 increased 1.2 % compared to sales of \$19,252,000 for the first nine months of 2002. Operating loss for the first nine months of 2003 was \$1,437,000, which takes into account personnel restructuring charges of \$128,000, compared to operating income of \$193,000, which takes into account a personnel restructuring charge of \$240,000, for the first nine months of 2002. Expenses associated with bank modification agreements incurred during the second quarter and additional professional fee expenses in connection with our prior bank facilities totaling approximately \$300,000, impacted results for the first nine months of 2003.

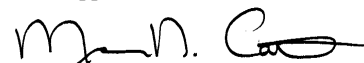
The net loss for the first nine months of 2003 was \$1,415,000 or \$.45 per share, giving effect to the impact of the personnel restructuring charges of \$.04 per share and gains on the dispositions of assets of \$104,000 or \$.03 per share, compared to net income of \$146,000 or \$.05 per share, giving effect to the impact of the second quarter 2002 personnel restructuring charge of \$.05 per share, for the first nine months of 2002.

The decline in gross profit during the third quarter of 2003 to 34.6 % from 44.0 % in the third quarter of 2002, and to 37.0 % from 45.7 % during the first nine months of 2003 compared to the first nine months of 2002, was primarily attributable to competitive pricing, cost overruns, increases in depreciation and other occupancy expenses related to expansion and underutilization of manufacturing facilities.

The backlog at the end of the third quarter of 2003 was \$12.2 million, an increase of \$2.1 million or 21.3 % compared to year-end 2002, and \$1.3 million or 11.6 % when compared to the backlog of \$11.0 million at the end of the third quarter of 2002. Orders received during the third quarter of 2003, totaling \$6.4 million, approximated the third quarter of 2003 sales level. Orders received for the first nine months of 2003, totaling \$21.6 million, exceeded sales in the first nine months of 2003 by approximately 11.0 %.

On October 8, 2003, we successfully completed refinancing approximately \$5.7 million of debt obligations with a new facility provided by CIT Business Credit, a unit of CIT Group Inc. The refunding represents a three-year secured revolving credit, term loan and letter of credit facility for \$9,250,000. The new revolving credit facility combined with the expected cash flows from operations should be sufficient to meet the Company's current obligations and to fund its currently contemplated operations during the next twelve months.

Thank you for your continued support and confidence,



Mason N. Carter  
Chairman and CEO

November 12, 2003

**Note:** This report contains statements relating to future results of the Company (including certain projections and business trends) that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those projected as a result of certain risks and uncertainties. These risks and uncertainties include, but are not limited to: risks associated with demand for and market acceptance of existing and newly developed products as to which the Company has made significant investments, particularly its Multi-Mix® products; general economic and industry conditions; slower than anticipated penetration into the satellite communications, defense and wireless markets; the risk that the benefits expected from the acquisition of Filtrac Microcircuits Inc. are not realized; the ability to protect proprietary information and technology; competitive products and pricing pressures; risks relating to governmental regulatory actions in communications and defense programs; and inventory risks due to technological innovation and product obsolescence, as well as other risks and uncertainties, including but not limited to those detailed from time to time in the Company's Securities and Exchange Commission filings. These forward-looking statements are made only as of the date hereof, and the Company undertakes no obligation to update or revise the forward-looking statements, whether as a result of new information, future events or otherwise.

#### SUMMARY QUARTERLY CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

	Quarter Ended		Nine Months Ended	
	Sept. 27, 2003	Sept. 28, 2002	Sept. 27, 2003	Sept. 28, 2002
Net sales	\$ 6,356,685	\$ 5,938,929	\$ 19,480,926	\$ 19,251,844
Gross profit	2,201,162	2,615,595	7,207,183	8,795,482
Selling, general and administrative	2,261,529	1,820,659	7,175,800	6,451,326
Research and development	316,452	723,337	1,340,437	1,910,988
Restructuring charges	54,170	-	128,350	240,000
Operating income (loss)	(430,989)	71,599	(1,437,404)	193,168
Income (loss) before income taxes	(449,888)	47,054	(1,497,928)	65,692
Provision (benefit) for income taxes	34,508	(10,000)	(83,177)	(80,000)
Net income (loss)	(484,396)	57,054	(1,414,751)	145,692
Net income (loss) per common share - basic and diluted	\$ (.16)	\$.02	\$ (.45)	\$.05
Weighted average number of shares outstanding-diluted	3,120,624	3,147,634	3,120,437	3,098,894

**SUMMARY CONSOLIDATED**  
**BALANCE SHEETS (Unaudited)**  
*September 27, 2003 and September 28, 2002*

	<u>2003</u>	<u>2002</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 556,932	\$ 930,631
Income tax refunds receivable	45,836	102,611
Accounts receivable, net	5,461,004	5,426,634
Inventories	3,581,798	4,744,965
Other current assets	687,745	387,140
Deferred tax assets	945,000	548,000
Total current assets	<u>11,278,315</u>	<u>12,139,981</u>
Property, plant and equipment, net	17,870,154	19,533,898
Restricted cash	1,500,000	-
Other assets	669,034	836,595
Deferred tax assets	1,084,000	1,064,000
Goodwill, net	2,952,924	2,473,900
Total Assets	<u>\$ 35,354,427</u>	<u>\$ 36,048,374</u>

**LIABILITIES AND STOCKHOLDERS' EQUITY**

Liabilities:

Current portion of long-term debt	\$ 1,007,485	\$ 866,556
Other current liabilities	3,064,606	3,197,846
Total current liabilities	<u>4,072,091</u>	<u>4,064,402</u>
Long-term debt	5,330,111	3,658,684
Deferred compensation	96,020	131,112
Deferred liabilities	48,014	169,129
Deferred tax liabilities	1,736,000	958,000
Total liabilities	<u>11,282,236</u>	<u>8,981,327</u>

Stockholders' equity:

Common stock	32,030	32,002
Common stock warrants	837,200	837,200
Additional paid-in capital	17,849,714	17,837,699
Retained earnings	5,981,227	9,677,137
Comprehensive income (loss)	457,886	(291,551)
	<u>25,158,057</u>	<u>28,092,487</u>
Less treasury stock, at cost	(573,866)	(457,440)
Less officer-stockholder loan	(512,000)	(568,000)
Total stockholders' equity	<u>24,072,191</u>	<u>27,067,047</u>

Total Liabilities and

Stockholders' Equity	<u>\$ 35,354,427</u>	<u>\$ 36,048,374</u>
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