FORM 10−K

CHANNELL COMMERCIAL CORP − CHNL

Filed: March 05, 2004 (period: December 31, 2003)

Annual report which provides a comprehensive overview of the company for the past year

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

FORM 10−K

☒ **Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2003; or**

☐ **Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.**

Commission File Number 0−28582

CHANNELL COMMERCIAL CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	**95−2453261**
(State or other jurisdiction of incorporation)	(IRS Employer Identification No.)

26040 Ynez Road
Temecula, CA 92591
(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: **(909) 719−2600**

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

None

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

Title of Class
Common Stock, $0.01 Par Value

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S−K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10−K or any amendment to this Form 10−K. ☒

On March 2, 2004, the Registrant had 9,127,661 shares of Common Stock outstanding with a par value of $.01 per share. The aggregate market value of the 4,207,531 shares held by non−affiliates of the Registrant was $23,141,421 computed by reference to the price at which the shares were last sold, as of the last business day of the Registrant's most recently completed second fiscal quarter. Shares of Common Stock held by each officer and director and by each person who may be deemed to be an affiliate have been excluded.

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Exchange Act Rule 12b−2). Yes ☐ No ☒

DOCUMENTS INCORPORATED BY REFERENCE

Part III of this Form 10−K incorporates by reference certain information from the Registrant's definitive proxy statement (the "Proxy Statement") for its annual meeting of stockholders to be held on April 27, 2004.

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PART I

Item 1. *Business*

Background

Channell Commercial Corporation (the "Company") was incorporated in Delaware on April 23, 1996, as the successor to Channell Commercial Corporation, a California corporation. The Company's executive offices are located at 26040 Ynez Road, Temecula, California 92591, and its telephone number at that address is (909) 719−2600.

General

The Company is a designer and manufacturer of telecommunications equipment supplied to broadband and telephone network providers worldwide. Major product lines include a complete line of thermoplastic and metal fabricated enclosures, advanced copper termination and connectorization products, fiber optic cable management systems, and heat shrink products. The Company believes it was the first to design, manufacture and market thermoplastic enclosure products for use in the telecommunications industry on a wide scale, and the Company believes it currently supplies a substantial portion of the enclosure product requirements of a number of major broadband service providers. The Company's enclosure products house, protect and provide access to advanced telecommunications hardware, including both radio frequency ("RF") electronics and photonics, and transmission media, including coaxial cable, copper wire and optical fibers, used in the delivery of voice, video and data services. The enclosure products are deployed within the access portion of the local signal delivery network, commonly known as the "outside plant", "local loop" or "last mile", that connects the network provider's signal origination point or local office with its residential and business customers. The Company's connectivity products provide critical connection points between cable or network electronics.

Industry

Broadband and local telephone operators are building, rebuilding or upgrading signal delivery networks around the world. These networks are designed to deliver video, voice and/or data transmissions to individual residences and businesses. Operators deploy a variety of network technologies and architectures, such as HFC, FTTC, DLC and ADSL (see "Glossary of Terms") to carry broadband and narrowband signals. These architectures are constructed of electronic hardware connected via coaxial cables, copper wires and/or optical fibers, including various access devices, amplifiers, nodes, hubs and other signal transmission and powering electronics. Many of these devices in the outside plant require housing in secure, protective enclosures and cable management connectivity systems, such as those manufactured by the Company.

As critical components of the outside plant, enclosure products provide (i) protection against weather and vandalism, (ii) ready access for technicians who maintain and manage the outside plant and, (iii) in some cases, provide dissipation of heat generated by the active electronic hardware. Broadband and local telephone network operators place great reliance on manufacturers of protective enclosures because any material damage to the signal delivery networks is likely to disrupt communications services. Connectivity products provide critical data−rated connection points which support cost effective service deployment and ensure signal integrity is maintained throughout the network.

The primary drivers of demand for enclosures in the communications industry are the construction, rebuilding, upgrading and maintenance of signal delivery networks by broadband operators and local telephone companies. For example, broadband networks are being upgraded and prepared for advanced two−way services such as high−speed Internet access via cable modems, telephony and PCS transport. Local telephone service providers are employing advanced technologies, such as a variety of digital subscriber line ("DSL") technologies, which utilize installed copper wires for broadband services. These "local loop" copper wire systems often require significant upgrading and maintenance to provide the

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optimal throughput necessary to carry high−speed broadband signals, increasing the need for fully sealed outside plant facilities in order to sustain network reliability and longevity.

Business Strategy

The Company's strategy is to capitalize on opportunities in the global communications industry by providing enclosures, connectivity products and other complementary components to meet the evolving needs of its customers' communications networks. The Company's wide range of products, manufacturing expertise, application−based sales and marketing approach and reputation for high quality products address key requirements of its customers. Principal elements of the Company's strategy include the following:

Focus on Core Telecommunications Business. The Company will continue to seek to capitalize on its position as a leading designer, manufacturer and marketer of enclosures and copper wire connectors for the broadband and local telephone industries in the United States and Canada through new product development for both domestic and international market applications. The Company believes it currently supplies a substantial portion of the enclosure product requirements of a number of major broadband operators.

The Company has invested in the development of a broad range of products designed specifically for telephone applications. The Company has successfully marketed its traditional broadband products to local telephone companies that have been designing and deploying broadband networks to deliver competitive video and data services. The Company will continue to target this market for growth, both with telephone network operators and with major system OEMs.

Expand International Presence. Management believes international markets offer significant opportunities for increased sales to both broadband and telephone companies. The Company's principal international markets currently include Canada, Mexico, Asia, the Pacific Rim, the Middle East and Europe. Trends expected to result in international growth opportunities include the on−going deregulation and privatization of telecommunications in many nations around the world, the focus of numerous countries on building, expanding and enhancing their communications systems to deliver broadband services in order to participate fully in the information−based global economy, and multinational expansion by many U.S.−based network carriers. The Company will concentrate on expansion in international markets that are characterized by deregulation or privatization of telecommunications and by the availability of capital for the construction of signal delivery networks.

Develop New Products and Enter New Markets. The Company continues to leverage its core capabilities in developing innovative products that meet the evolving needs of its customers. Innovative products offered by the Company include its DSLink™ modular terminal block, its MAH Series™ free−breathing telephony enclosures, the Mini−Rocker™ insulation displacement copper connectivity products, and a range of Rhino™ metal fabricated enclosures. The Company continually invests in ongoing improvement and enhancement projects for the existing products developed by the Company, several of which have received U.S. patent protection. The Company's products are designed to improve the performance of its customers' outside plant systems. The Company has a proven record in designing, developing and manufacturing "next generation" products that provide solutions for its customers and offer advantages over those offered by other suppliers to the industry. The Company also believes its core capabilities are applicable to markets outside the telecommunications industry.

Products

The Company currently markets over 50 product families, with several thousand optional product configurations. The primary functions of the Company's products designed for the telecommunications industry are cable routing and management, equipment access, heat dissipation and security. The

Company believes that it offers one of the most complete lines of outside plant infrastructure products in the telecommunications industry.

Enclosures. The Company manufactures precision−molded, highly engineered and application−specific thermoplastic and metal fabricated enclosures that are considered state−of−the−industry for many applications, having been field tested and received approvals and standardization certifications from major broadband and telephone company operators. Most of the Company's products are designed for buried and underground network applications. The Company's enclosure products provide technicians access to network equipment for maintenance, upgrades and installation of new services. Buried and underground networks and enclosures are generally preferred by broadband operators for increased network reliability, lower maintenance, improved security, reduced utility right−of−way conflicts, and aesthetic appeal. The enclosure products, particularly the thermoplastic versions, must provide advanced heat dissipation characteristics increasingly required for the protection of active electronics in many network installations. The Company is also a designer and manufacturer of metal fabricated enclosures that house advanced electronics, fiber optic cable and power systems for broadband telecommunications networks (branded as "Rhino Enclosures™"). The Company designs and manufactures a series of termination blocks, brackets and cable management devices for mounting inside its enclosure products. To position itself as a full−line product supplier, the Company also offers a variety of complementary products, including thermoplastic and concrete grade level boxes. These products are typically purchased by customers as part of a system package and are marketed by the Company through its direct sales force to its customer base. The Company is recognized in the industry for its differentiated product designs and the functionality, field performance and service life of its products.

Copper Connectivity. The Company is a designer and manufacturer of innovative telephone connectivity devices. The Company's Insulation Displacement Connector ("IDC") technology provides advanced "tool−less" termination systems for copper wires, the predominant medium used in the "Last Mile" for telephone services worldwide. These proprietary IDC products environmentally seal network termination points with a high level of reliability. The Company's DSLink™ modular terminal block offers telephone service providers a CAT 5 solution to the rising costs of DSL deployment in the local loop. The Company's Mini−Rocker™ line of copper connectivity modules, blocks and accessories offer environmentally sealed and Category 5 data rated IDC tool−less circuit installation and have been accepted as a universal connectivity platform for network applications worldwide.

Fiber Optic Products. The Company offers a range of fiber optic cable management products designed for use in telephone and broadband networks. These products are particularly well suited for fiber to the premises (FTTP) network architectures. The Company's fiber optic splice cases are used for organizing, managing and protecting the connection points between separate lengths of fiber optic cable in the outside plant network. Fiber optic cable assemblies and interconnect hardware are used to connect fiber optic electronics and fiber optic cables primarily for in−building applications. Fiber optic electronic enclosures house optical electronics, power supplies and cables. All of these products are designed and manufactured by the Company and marketed worldwide.

OEM Programs. The Company has OEM marketing programs through which other manufacturers incorporate the Company's products as components of their telecommunications systems. These OEM programs generally include exchanges of technical information that the Company can use in developing new products and improvements and enhancements to existing designs. The Company has established additional relationships with systems integrators and innovative end users that provide valuable product improvement information.

Marketing and Sales

The Company markets its products primarily through a direct sales force of technically trained salespeople. The Company employs an application−specific, systems approach to marketing its products, offering the customer a complete, cost−effective system solution to meet its outside plant requirements. All sales personnel have technical expertise in the products they market and are supported by the Company's engineering and technical marketing staff.

An internal sales/customer service department administers and schedules incoming orders, handles requests for product enhancements and service inquiries and supports the Company's direct sales force. This department maintains direct communications with customers and the Company's field sales and operations personnel.

By engaging in public relations activities, product literature development, market research and advertising, the marketing department also promotes and positions the Company within both domestic and international markets. The Company regularly attends, participates and exhibits its products at industry trade shows and conferences within domestic and international telecommunications markets throughout the year.

Manufacturing Operations

The Company's vertically integrated manufacturing operations enable the Company to control each step in the manufacturing process, including product design and engineering; design and production of many of its own dies, tools, molds and fixtures.

The Company's manufacturing expertise enables it to modify its product lines to meet changing market demands, rapidly and efficiently produce large volumes of products, control expenses and ensure product quality. Management considers the Company's manufacturing expertise a distinct and significant competitive advantage, providing it with the ability to satisfy the requirements of major customers with relatively short lead−times by promptly booking and shipping orders.

The Company owns a majority of its manufacturing equipment. Manufacturing processes are performed by trained Company personnel. These manufacturing processes include injection molding, structural foam molding, rotational molding, metal fabrication, automated discrete connector fabrication, rubber injection, transfer and compression molding, and termination block fabrication. The Company has implemented several comprehensive process and quality assurance programs, including continuous monitoring of key processes, regular product inspections and comprehensive testing.

The Company's manufacturing and distribution facilities as of December 31, 2003, include approximately 367,000 square feet in Temecula, California; 7,000 square feet in Mississauga, Ontario, Canada; 43,000 square feet in Orpington, United Kingdom; and 40,000 square feet in Sydney, Australia. A plan was developed to close all manufacturing operations in the United Kingdom by mid−year 2004.

Product Development and Engineering

The Company's product development and engineering staff has designed and tested the Company's products and has developed core competencies in telecommunications outside plant product development and engineering. As a direct result, the Company has been able to develop a broad series of superior products designed to meet the specific needs of telecommunications companies. Distinguishing characteristics of the Company's products include:

- Advanced mechanical innovations providing unique application specific performance and feature sets;
- Effective heat dissipation qualities;

- Advanced copper IDC connectivity products;
- A superior environmental sealing and protection system that, unlike many competitors' products, does not require gels, compounds or other methods to maintain the required seal;
- Sub−surface network access systems;
- Product designs allowing technicians easy access through circular covers that can be removed to fully expose the enclosed electronics;
- Compatibility with a variety of signal delivery network architectures;
- Modular metal fabricated enclosure product line covering multiple network applications;
- Versatility of design to accommodate network growth through custom hardware and universal mounting systems that adapt to a variety of new electronic hardware;
- Excellent protection and management of optical fibers and cables; and
- Thermoplastic Laminated Coating (TLC®) that bonds directly to metal hardware and protects against rust and deterioration.

The Company's product development approach is applications−based and customer driven. A team comprised of engineering, marketing, manufacturing and direct sales personnel work together to define, develop and deliver comprehensive systems solutions to customers, focusing on the complete design cycle from product concept through tooling and high−volume manufacturing. The Company is equipped to conduct many of its own product testing requirements for performance qualification purposes, enabling it to accelerate the product development process. The Company spent $2.3 million in 2001, $1.6 million in 2002, and $1.9 million in 2003 on research and development.

Customers

The Company sells its products directly to broadband operators and telephone companies throughout the world, principally within developed nations. The Company also sells its products to OEMs on a global basis. During 2003, the Company's five largest customers accounted for 57.7% of total net sales. In 2003, the Company's five largest customers by sales in the United States were Comcast, Verizon, Time Warner, Cox and Adelphia. Comcast and Verizon accounted for 27.1% and 10.5%, respectively, of the Company's net sales in 2003. In international markets, the Company's five largest customers in 2003 by sales were Telstra (Australia), Rogers (Canada), Eircom (Ireland), British Telecom, and Unitelco (Malaysia).

The Company has historically operated with a relatively small backlog. Sales and operating results in any quarter are primarily dependent upon orders booked and products shipped in the quarter. The Company's customers generally do not enter into long−term supply contracts providing for future purchase commitments of the Company's products. Rather, the Company believes that many of its customers periodically review their supply relationships and adjust buying patterns based upon their current assessment of the products and pricing available in the marketplace. From fiscal period to fiscal period, significant changes in the level of purchases of the Company's products by specific customers can and do result from this periodic assessment.

Intellectual Property

The Company owns substantially all of the patents and other technology employed by it in the manufacture and design of its products. The Company's patents, which expire through the year 2010, cover various aspects of the Company's products. In addition, the Company has certain trade secrets, know−how and trademarks related to its technology and products.

Management does not believe any single patent or other intellectual property right is material to the Company's success as a whole. The Company maintains an intellectual property protection program designed to preserve its intellectual property assets.

Competition

The telecommunications industry is highly competitive. The Company's competitors include companies that are much larger than the Company, such as Tyco, 3M, Marconi, Arris and Corning. The Company believes its competitive advantages include its ability to service national and multi−national customers, its direct sales force, its specialized engineering resources and its vertically integrated manufacturing operations.

Management believes the principal competitive factors in the telecommunications equipment market are customer service, new product capabilities, price, product availability, and product performance.

Competitive price pressures are common in the industry. In the past, the Company has responded effectively to competition with cost controls through vertical integration utilizing advanced manufacturing techniques, cost−effective product designs and material selection, and an aggressive procurement approach.

In the past, certain of the Company's telecommunications customers have required relatively lengthy field testing of new products prior to purchasing such products in quantity. While field testing can delay the introduction of new products, it can also act as a competitive advantage for those products tested and approved because to a certain extent it creates a barrier to new product introduction and sales by competitors.

Raw Materials; Availability of Complementary Products

The principal raw materials used by the Company are thermoplastic resins, neoprene rubbers, hot and cold rolled steel, stainless steel, copper and brass. The Company also uses certain other raw materials, such as fasteners, packaging materials and communications cable. Management believes the Company has adequate sources of supply for the raw materials used in its manufacturing processes and it attempts to develop and maintain multiple sources of supply in order to extend the availability and encourage competitive pricing of these materials.

Most plastic resins are purchased under annual or multi−year purchase agreements to stabilize costs and improve supplier delivery performance. Neoprene rubbers are manufactured using the Company's proprietary formulas. Metal products are supplied in standard stock shapes, coils and custom rollforms.

The Company also relies on certain other manufacturers to supply products that complement the Company's own product line, such as grade level boxes. The Company believes there are multiple sources of supply for these products.

Employees

As of December 31, 2003, the Company employed 411 people, of whom 52 were in sales, 317 were in manufacturing operations, 8 were in research and development and 34 were in administration. The Company considers its employee relations to be good and recognizes its ability to attract and retain qualified employees is an important factor in its growth and development. None of the Company's employees is subject to a collective bargaining agreement, and the Company has not experienced any business interruption as a result of labor disputes within the past five years.

Regulation

The telecommunications industry is subject to regulations in the United States and other countries. Federal and state regulatory agencies regulate most of the Company's domestic customers. On February 1, 1996, the United States Congress passed the Telecommunications Act of 1996 that the President signed into law on February 8, 1996. The Telecommunications Act lifted certain restrictions on the ability of companies, including RBOCs and other customers of the Company, to compete with one another and generally reduced the regulation of the communications industry.

The Company is also subject to a wide variety of federal, state and local environmental laws and regulations. The Company utilizes, principally in connection with its thermoplastic manufacturing processes, a limited number of chemicals or similar substances that are classified as hazardous. It is difficult to predict what impact these environmental laws and regulations may have on the Company in the future. Restrictions on chemical uses or certain manufacturing processes could restrict the ability of the Company to operate in the manner that it currently operates or is permitted to operate. Management believes that the Company's operations are in compliance in all material respects with current environmental laws and regulations. Nevertheless, it is possible that the Company may experience releases of certain chemicals to environmental media which could constitute violations of environmental law (and have an impact on its operations) or which could cause the Company to incur material cleanup costs or other damages. For these reasons, the Company might become involved in legal proceedings involving exposure to chemicals or the remediation of environmental contamination from past or present operations. Because certain environmental laws impose strict joint and several retrospective liability upon current owners or operators of facilities from which there have been releases of hazardous substances, the Company could be held liable for remedial measures or other damages (such as liability in personal injury actions) at properties it owns or utilizes in its operations, even if the contamination were not caused by the Company's operations.

Available Information

The Company's Annual Report on Form 10−K, Quarterly Reports on Form 10−Q, Current Reports on Form 8−K and amendments to those reports are available as soon as reasonably practicable after they are filed or furnished to the Securities and Exchange Commission ("SEC"), through our Internet website, www.channellcomm.com. Company filings are also available through a database maintained by the SEC at www.sec.gov.

Item 2. ***Properties***

The Company's facilities approximate 541,000 square feet, of which approximately 52%, 32% and 16% were used for manufacturing, warehouse and office space, respectively. In Temecula, California, 261,000 square feet of the total 367,000 square feet are leased from William H. Channell, Sr., the Company's Chairman of the Board. (See "Certain Relationships and Related Transactions", Item 13.) The Company also leases an aggregate of approximately 180,000 square feet of manufacturing, warehouse and office space in Canada, Australia and the United Kingdom. In November, 2001, the Company announced a restructuring plan (see Financial Statement Footnote H, Restructuring Charge) that, among other things, reduced its facilities utilization in the Americas and International operations to improve operating efficiencies and reduce facilities expense. In December, 2002, the Company announced additional steps to rationalize international manufacturing operations to further consolidate manufacturing operations. The Company has completed the majority of its facilities reduction program. Included in the Company's facilities of 541,000 square feet is 84,000 square feet that has been vacated as part of restructuring activities. The Company is attempting to sublease the vacated space. In 2002, the Company completed a sale and leaseback of approximately 103,000 square feet of manufacturing, warehouse and office space in Temecula, California. The Company sold approximately 43,000 square feet of manufacturing, warehouse and office space in the United Kingdom in January, 2003. In the fourth quarter of 2003, the Company further evaluated International operations to improve profitability. A plan was developed to close a manufacturing facility in the United Kingdom by mid−year 2004. The Company considers its current facilities, and its facilities following the completion of the foregoing restructuring activities, to be adequate for its operations.

Item 3. ***Legal Proceedings***

The Company is from time to time involved in ordinary routine litigation incidental to the conduct of its business. The Company regularly reviews all pending litigation matters in which it is involved and establishes reserves deemed appropriate for such litigation matters. Management believes that no presently pending litigation matters will have a material adverse effect on its business or on its results of operations.

Item 4. ***Submission of Matters to a Vote of Security Holders***

No matters were submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this report.

PART II

Item 5. ***Market for Registrant's Common Equity and Related Shareholder Matters***

The following table sets forth, for the periods indicated, the high and low sale prices for the Company's Common Stock, as reported on the NASDAQ National Market.

	High	Low
Year Ended December 31, 2002:		
First Quarter	$ 5.54	$ 3.25
Second Quarter	8.60	5.25
Third Quarter	6.88	2.88
Fourth Quarter	6.73	3.39
Year Ended December 31, 2003:		
First Quarter	$ 5.46	$ 3.00
Second Quarter	6.42	3.60
Third Quarter	6.00	4.31
Fourth Quarter	5.10	2.10

The Company has not declared any dividends subsequent to its initial public offering in July 1996.

The Company currently anticipates it will retain all available funds to finance its business. The Company does not intend to pay cash dividends in the foreseeable future. Under the terms of the Company's Loan and Security Agreement, the Company has agreed not to pay any dividends.

As of March 2, 2004, the Company had 9,127,661 shares of its Common Stock outstanding, held by approximately 1,052 shareholders of record.

Item 6. ***Selected Financial Data***

The selected consolidated financial data presented below for each of the five years in the period ended December 31, 2003, have been derived from audited consolidated financial statements, which for the most recent three years appear elsewhere herein. The data should be read in conjunction with the financial statements, related notes and other financial information included therein (amounts in thousands, except per share data).

Selected Financial Data
(amounts in thousands, except per share data)

	Year Ended December 31,				
	1999	2000	2001	2002	2003
OPERATING DATA:					
Net sales	$ 120,688	$ 128,179	$ 88,698	$ 84,785	$ 76,537
Cost of goods sold	76,115	81,108	69,892	57,450	53,960
Gross profit	44,573	47,071	18,806	27,335	22,577
Operating expenses					
Selling	14,716	15,484	12,789	9,246	9,465
General and administrative	9,023	14,231	14,124	11,452	7,710
Research and development	2,629	2,771	2,331	1,619	1,902
Restructuring charge	—	1,513	2,999	1,228	1,565
Asset impairment charge	—	4,569	4,322	2,154	1,238
Goodwill impairment charge	—	—	11,772	966	—
	26,368	38,568	48,337	26,665	21,880
Income (loss) from operations	18,205	8,503	(29,531)	670	697
Interest (expense), net	(2,650)	(2,859)	(3,874)	(1,999)	(571)
Income (loss) before income taxes	15,555	5,644	(33,405)	(1,329)	126
Income taxes (benefit)	6,221	2,076	(8,207)	1,737	212
Net income (loss)	$ 9,334	$ 3,568	$ (25,198)	$ (3,066)	$ (86)
NET INCOME (LOSS) PER SHARE:					
Basic	$ 1.03	$ 0.39	$ (2.78)	$ (0.34)	$ (0.01)
Diluted	$ 1.02	$ 0.39	$ (2.78)	$ (0.34)	$ (0.01)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING:					
Basic	9,094	9,091	9,050	9,048	9,126
Diluted	9,111	9,126	9,050	9,048	9,126
BALANCE SHEET DATA:					
Current assets	$ 48,807	$ 51,531	$ 39,626	$ 23,449	$ 30,407
Total assets	114,540	116,748	85,377	54,163	53,965
Total Debt (including current maturities)(4)	38,061	40,364	36,816	6,548	3,906
Stockholders' equity	62,339	63,927	37,497	35,441	37,346
OTHER DATA:					
Gross margin(1)	36.9%	36.7%	21.2%	32.2%	29.5%
Operating margin(2)	15.1	6.6	(33.3)	0.8	0.9
EBITDA(3)	$ 24,743	$ 16,671	$ (20,974)	$ 8,455	$ 6,929
Capital expenditures (excluding capital leases)	9,148	11,606	3,153	1,886	1,203
Cash provided by (used in):					
Operating activities	8,073	8,352	13,964	19,767	7,127
Investing activities	(9,361)	(11,857)	(3,153)	4,346	1,154
Financing activities	(1,728)	1,876	(2,927)	(29,832)	(2,662)

(1) Gross margin is gross profit as a percentage of net sales.

(2) Operating margin is income (loss) from operations as a percentage of net sales.

(3) EBITDA represents income (loss) from operations before interest and income taxes, plus depreciation and amortization expense. EBITDA is not intended to represent cash flow, operating income or any other measure of performance in accordance with generally accepted accounting principles, but is included here because

management believes that certain investors find it to be a useful tool for measuring a company's ability to service its debt.

(4) Includes all interest bearing debt and capital lease obligations.

Item 7. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

General

The Company is a designer and manufacturer of telecommunications equipment supplied to telephone and broadband network providers worldwide. In addition to Company manufactured products, the Company markets complementary products manufactured by third parties. The Company sells products directly to broadband operators and telephone companies throughout the United States, Canada, Australia, United Kingdom and certain other international markets, principally within developed nations. The Company believes that many of its customers periodically review their supply relationships and consequently the Company can experience significant changes in buying patterns from specific customers between fiscal periods. The Company has historically operated with a relatively small backlog with sales and operating results in any quarter principally dependent upon orders booked and products shipped in that quarter. The Company's customers generally do not enter into long−term supply contracts providing for future purchase commitments for the Company's products. These factors, when combined with the Company's operating leverage and the need to incur certain capital expenditures and expenses in part based upon the expectation of future sales, causes the Company's operating results to be at risk to changing customer buying patterns. If sales levels in a particular period do not meet the Company's expectations, operating results for that period may be materially and adversely affected.

The Company uses numerous raw materials in its manufacturing processes. Although management believes that the Company has adequate sources of supply for such raw materials, increases in the market prices of the Company's raw materials could significantly increase the Company's cost of goods sold and materially adversely affect the Company's profitability. The Company's profitability may also be materially and adversely affected by decreases in its sales volume because many of the costs associated with the Company's facilities, product development, engineering, tooling and other manufacturing processes are essentially fixed in nature and must be spread over its sales base in order to maintain historical levels of profitability.

Critical Accounting Policies

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Management bases its estimates on historical experience and on assumptions that are believed to be reasonable under the circumstances and revises its estimates, as appropriate, when changes in events or circumstances indicate that revisions may be necessary. Although these estimates are based on management's knowledge of and experience with past and current events and on management's assumptions about future events, it is possible that they may ultimately differ materially from actual results.

The critical accounting policies requiring estimates and assumptions that management believes have the most significant impact on the Company's consolidated financial statements are:

- Accounts receivables reserves
- Allowances for excess and obsolete inventory
- Valuation of goodwill and long−lived assets

- Restructuring costs
- Accounting for income taxes
- Foreign currency translation

Accounts Receivable Reserves. Allowances for doubtful accounts are maintained for estimated losses expected to result from the inability of our customers to make required payments. Provisions for estimated sales returns, sales allowances and uncollectible accounts are made at the time of sale based on (i) the Company's estimate of the rate on which customers take discounts allowed and (ii) the Company's specific assessment of the collectability of all past due accounts. An adverse change in financial condition of a significant customer or group of customers could materially affect management's estimates related to doubtful accounts.

Allowances for excess and obsolete inventory. The estimates of excess and obsolete inventory are based on management's assumptions about and analysis of relevant factors including historical sales and usage of items in inventory, current levels of orders and backlog, forecasted demand, product life cycle and market conditions. Management does not believe the Company's products are subject to a significant risk of obsolescence in the short term and management believes it has the ability to adjust production levels in response to declining demand. However, if actual market conditions become less favorable than anticipated by management, additional allowances for excess and obsolete inventory could be required. In the event management adjusts estimates such as forecasted sales or expected product lifecycles, the value of the Company's inventory may become understated or overstated and recognition of such understatement or overstatement will affect cost of sales in a future period, which could materially affect the Company's operating results and financial position.

Valuation of goodwill and long−lived assets. Management reviews goodwill and long−lived assets for impairment when events or changes in circumstances indicate the carrying values may not be fully recoverable. Management assesses potential impairment of the carrying values of these assets based on market prices, if available, and/or assumptions about and estimates of future cash flows expected to be generated from these assets. Future cash flows may be adversely impacted by operating performance, market conditions and other factors. An impairment charge would be based on the amount by which the carrying value exceeds fair value. Fair value is estimated by management based on market prices, if available, and/or forecasted discounted cash flows, using a discount rate commensurate with the risks involved. Assumptions related to future cash flows and discount rates involve management judgment and are subject to significant uncertainty. If future cash flows, discount rates and other assumptions used in the assessment and measurement of impairment differ from management's estimates and forecasts, additional impairment charges could be required.

Restructuring Costs. Restructuring costs are recorded in accordance with FASB Statement 146, Accounting for Costs Associated With Exit or Disposal Activities. One−time severance benefits for employees terminated are recorded at the time management commits to the plan to reduce the work force, knows the amount of the termination benefit, is unlikely to change the plan and has communicated to employees the intended work force reduction. Liabilities for costs that will continue to be incurred under a contract for its remaining term without an economic benefit, such as for facility lease payments for premises vacated, are recorded when the Company ceases to use the right conveyed by the contract. In the case of vacated leased facilities, the liability is based on the future lease payments required under the contract less the estimated future rental income the Company may earn by subletting the facilities or estimates of costs incurred to terminate a lease with a landlord. These estimates of future sublet income are based on current economic conditions, current condition of the local leasing market, past experience and judgments supplied by professionals in the local real estate market. These estimates are subject to significant uncertainty and may change. Additional charges could be required as a result in the changes in estimates.

Accounting for income taxes. Income taxes are recorded for each of the jurisdictions in which the Company operates. Management records the actual current income tax payable and assesses the temporary differences resulting from differing treatment of items, such as reserves and accruals, for tax and accounting purposes. These differences result in deferred tax assets and liabilities which are included within the consolidated balance sheet. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during periods in which those temporary differences become deductible. In addition, the realization of deferred tax assets is also dependent upon audits by tax authorities of tax filings which may result in a revision to previous amounts claimed. Significant management judgment is involved in assessing the Company's ability to realize any future benefit from deferred tax assets. In the event that actual results differ from management estimates and management adjusts these estimates in future periods, the Company's operating results and financial position could be materially affected.

Foreign Currency Translation. The Company has foreign subsidiaries that together accounted for 18.9% of the Company's net revenues and 27.4% of the Company's assets as of and for the year ended December 31, 2003. In preparing the Company's consolidated financial statements, the Company is required to translate the financial statements of its foreign subsidiaries from the currencies in which they keep their accounting records into United States dollars. This process results in exchange gains and losses which, under relevant accounting guidance, are either included within the Company's statement of operations or as a separate part of the Company's net equity under the caption "cumulative translation adjustment."

Under relevant accounting guidance, the treatment of these translation gains or losses depends upon management's determination of the functional currency of each subsidiary. This determination involves consideration of relevant economic facts and circumstances affecting the subsidiary. Generally, the currency in which the subsidiary transacts a majority of its transactions, including billings, financing, payroll and other expenditures, would be considered the functional currency. However, management must also consider any dependency of the subsidiary upon the parent and the nature of the subsidiary's operations.

If management deems any subsidiary's functional currency to be its local currency, then any gain or loss associated with the translation of that subsidiary's financial statements is included in a cumulative translation adjustment. However, if management deems the functional currency to be United States dollars, then any gain or loss associated with the translation of these financial statements would be included within the Company's statement of operations.

If the Company disposes of any of its subsidiaries, any cumulative translation gains or losses would be realized into the Company's statement of operations. If management determines that there has been a change in the functional currency of a subsidiary to United States dollars, then any translation gains or losses arising after the date of the change would be included within the Company's statement of operations.

Based on management's assessment of the factors discussed above, the Company considers the functional currency of each of its international subsidiaries to be each subsidiary's local currency. Accordingly, the Company had cumulative translation losses of $11 that were included as part of accumulated other comprehensive loss within the Company's balance sheet at December 31, 2003. During the year ended December 31, 2003, the Company included translation adjustments of a gain of approximately $1,982 under accumulated other comprehensive income and loss.

If the Company had determined that the functional currency of its subsidiaries was United States dollars, these gains or losses would have decreased or increased the Company's loss for the year ended December 31, 2003. The magnitude of these gains or losses depends upon movements in the exchange rates of the foreign currencies in which the Company transacted business as compared to the value of the United States dollar. These currencies include the British pound, the Canadian dollar and the Australian dollar. Any future translation gains or losses could be significantly higher than those the Company recorded for the year ended December 31, 2003.

New Accounting Pronouncements

In May 2003, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." SFAS No. 150 changes the classification in the statement of financial position of certain common financial instruments from either equity or mezzanine presentation to liabilities and requires an issuer of those financial statements to recognize changes in fair value or redemption amount, as applicable, in earnings. SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003 and is effective for the Company beginning July 1, 2003. The adoption of SFAS No. 150 did not have a material impact on the Company's results of operations or financial position.

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities—an interpretation of ARB No. 51" ("FIN 46"). FIN 46 requires that if an entity has a controlling financial interest in a variable interest entity, the assets, liabilities and results of activities of the variable interest entity should be included in the consolidated financial statements of the entity. FIN 46 requires that its provisions are effective immediately for all arrangements entered into after January 31, 2003. For those arrangements entered into prior to January 31, 2003, the FIN 46 provisions are required to be adopted at the end of the first interim or annual period ending after December 15, 2003. The adoption of FIN 46 did not have a material impact on the Company's results of operations or financial position.

In July 2002, the FASB issued SFAS No.146, "Accounting for Costs Associated with Exit or Disposal Activities." This statement requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. Under previous guidance, a liability for an exit cost was recognized at the date of the commitment to an exit plan. The provisions of this statement will be applied prospectively, as applicable, and are effective for exit or disposal activities that are initiated after December 31, 2002. The Company applied the provisions of SFAS No. 146, on the 2003 restructuring charge discussed in Financial Statement Footnote H.

In November 2002, the FASB issued FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" ("FIN 45"). This interpretation elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under specified guarantees that it has issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The disclosure requirements in this interpretation were effective for financial statements of interim or annual periods ending after December 15, 2002. Additionally, the recognition of a guarantor's obligation should be applied on a prospective basis to guarantees issued after December 31, 2002. The adoption of FIN 45 did not have a material effect on the Company's financial position or results of operation.

Results of Operations

The following table sets forth the Company's operating results for the periods indicated expressed as a percentage of net sales.

	2001	2002	2003
Net Sales	100.0%	100.0%	100.0%
Cost of Sales	78.8	67.8	70.5
Gross Profit	21.2	32.2	29.5
Selling	14.4	10.9	12.4
General and administrative	15.9	13.5	10.1
Research and development	2.6	1.9	2.5
Restructuring charge	3.4	1.4	2.0
Asset impairment charge	4.9	2.5	1.6
Goodwill impairment charge	13.3	1.2	—
Income (loss) from operations	(33.3)	0.8	0.9
Interest (expense), net	(4.4)	(2.4)	(0.7)
Income (loss) before income taxes	(37.7)	(1.6)	0.2
Income taxes (benefit)	(9.3)	2.0	0.3
Net income (loss)	(28.4)%	(3.6)%	(0.1)%

Comparison of Year Ended December 31, 2003 with Year Ended December 31, 2002

The Company implemented actions in 2002 and 2003 to restructure the Company due to decreased demand in the telecommunications industry. These actions resulted in a lower cost structure, a return to a positive income from operations, lower debt and an increase in the Company's cash balance. Shown below are the sales, income from operations, loss per share, debt and cash balance for each of the last three years:

	2001	2002	2003
		Amounts in million, except loss per share	
Net sales	$ 88.7	$ 84.8	$ 76.5
Income (loss) from operations	$ (29.5)	$ 0.7	$ 0.7
Loss per share	$ (2.78)	$ (0.34)	$ (0.01)
Total Debt as of December 31 (loans, capital leases and mortgage)	$ 36.8	$ 6.5	$ 3.9
Cash and cash equivalents	$ 8.8	$ 3.2	$ 9.5

In the fourth quarter of 2003, the Company further evaluated International operations to improve profitability. A plan was developed to close a manufacturing facility in International operations by mid−year 2004. Additional non−recurring charges were recorded in 2003 as a result of these actions including employee severance benefits, inventory reserves, impairment of assets and facility closure cost. The facility closure cost charge is a revision to restructuring costs recorded in the third quarter of 2001 and the fourth quarter of 2002. The revision is due to a change in the estimated sublease income from vacated facilities based on management's latest estimate.

Net Sales. Net sales decreased $8.3 million or 9.7% from $84.8 million in 2002 to $76.5 million in 2003. The decrease resulted from a slowdown in equipment purchases by telecommunications service providers in both the Americas and International operations.

Americas net sales decreased $5.2 million or 7.4% from $70.0 million to $64.8 million. In 2003, two major broadband operators reduced purchases compared to 2002. One customer reduced purchases as a result of substantially completing its network upgrade program. The second customer reduced purchases in the first half of 2003 due to deterioration in its financial condition and the need to reduce spending. The second customer resumed purchases at a higher level in the second half of 2003. The declines from broadband customers were partially offset by a 16.6% increase in sales from the Company's largest telephone customer, Verizon. In addition, the Americas segment sold $1.5 million of slow moving inventory in 2002 as part of the Company's debt reduction program which also contributed to the period over period sales decline. There were no material sales of slow moving inventory in 2003.

International net sales decreased $3.1 million or 20.8% from $14.8 million to $11.7 million. The decrease in International sales was due to generally depressed industry conditions and lower sales of products discontinued as part of the Company's restructuring program.

Sales to Comcast of $20.7 million in 2003 represented 27.1% of Company sales in the period. Comcast acquired AT&T's broadband business in the fourth quarter of 2002 thereby increasing its purchases from the Company. The second largest customer in 2003 was Verizon with sales of $8.0 million representing 10.5% of the total. Sales to AT&T of $20.2 million in 2002 represented 23.8% of Company sales for the period. Combined AT&T and Comcast sales for the 2002 period were $23.7 million or 28.0% of the Company's sales in the period. Sales to Time Warner of $8.3 million in 2002 represented 9.8% of Company sales.

Gross Profit. Gross profit decreased $4.7 million from $27.3 million in 2002 to $22.6 million in 2003. The decrease is mainly due to the lower sales volume, which resulted in lower manufacturing production rates and higher unabsorbed overhead. A secondary factor was product mix, predominately in the Americas. The change in product mix was due to: 1) a higher percentage of products purchased externally for resale that the Company sells as a package with core product lines that have a lower gross profit than enclosures that are manufactured internally, and, 2) a higher percentage of connectivity products that had a lower gross profit than thermoplastic enclosures. The gross profit of connectivity products was affected by sales of new products whose manufacture is still in the start up phase and thus current product costs are higher than those anticipated during full scale production.

In 2002, gross profit was reduced by $0.4 million of special charges in the fourth quarter to write down inventory of discontinued products. In 2003, gross profit was reduced by $0.1 million of special charges to write down inventory as part of the closure of an International manufacturing facility. Excluding the special charges in both years, gross profit decreased $5.0 million from $27.7 million in 2002 to $22.7 million in 2003.

As a percentage of net sales, gross profit decreased from 32.2% in 2002 to 29.5% in 2003. Excluding the special charges recorded in both years, gross profit as a percentage of net sales decreased from 32.7% in 2002 to 29.7% in 2003. The reasons for the decrease are the same as those noted above for gross profit dollars.

Selling. Selling expenses increased $0.2 million or 2.4% from $9.3 million in 2002 to $9.5 million in 2003. The increase is primarily in freight costs due to higher fuel prices and an increase in full truckload shipments to customers in which the Company pays the freight costs.

As a percentage of net sales, selling expense increased from 10.9% in 2002 to 12.4% in 2003. The higher percentage is primarily due to the reasons noted above.

General and Administrative. General and administrative expenses decreased $3.7 million or 32.7% from $11.4 million in 2002 to $7.7 million in 2003. The year 2002 included a $2.0 million charge to increase the allowance for bad debt primarily as a result of the Chapter 11 bankruptcy filing of a major broadband customer. Excluding the charge, general and administrative expense decreased by $1.7 million or 18.4%. The decrease is due to cost reductions in administrative functions primarily within the Americas operations.

As a percentage of net sales, general and administrative expenses decreased from 13.5% in the 2002 period to 10.1% in the 2003 period. Excluding the charge for bad debt, general and administrative expenses as a percentage of net sales were 11.1% in the 2002 period and 10.1% in the 2003 period.

Research and Development. Research and development expenses increased $0.3 million or 17.5% from $1.6 million in 2002 to $1.9 million in 2003. The increase is due to spending on projects for new product development in connectivity and thermoplastic enclosure product lines. As a percentage of net sales, research and development expenses increased from 1.9% in 2002 to 2.5% in 2003.

Restructuring charge. In the fourth quarter of 2002, the Company initiated actions to improve profitability in International operations. The actions taken included head count and facility square footage reductions in International operations. In addition, the management of International operations was consolidated under one management team. Restructuring charges of $1.2 million were recorded in 2002 as a result of these actions.

In the fourth quarter of 2003, the Company evaluated International operations to improve profitability. A plan was developed to close a manufacturing facility in International operations by mid−year 2004. Additional restructuring charges of $1.6 million were recorded in the fourth quarter of 2003 for employee severance and facility closure cost. The facility closure cost charge is a revision to restructuring costs recorded in the third quarter of 2001 and the fourth quarter of 2002. The revision is due to a change in the estimated sublease income from vacated facilities based on management's latest estimate.

Impairment of Fixed Assets. In 2002, an asset impairment charge of $2.2 million was recorded for production equipment in International operations as part of the rationalization and downsizing of International manufacturing operations and for tooling associated with products discontinued in the Americas.

In 2003, an asset impairment charge of $1.2 million was recorded for production equipment in International operations as part of the closure of a manufacturing facility.

Impairment of Goodwill. In 2002, a goodwill impairment charge in the International segment was recorded for $1.0 million. This impairment charge resulted in the full amortization of the goodwill associated with the A.C. Egerton acquisition.

There were no goodwill impairment charges in 2003.

Income (Loss) from Operations. As a result of the items discussed above, income from operations was unchanged at $0.7 million in both 2002 and 2003. Operating margin as a percent of sales increased from 0.8% to 0.9%.

Excluding the special charges in 2002 and 2003 and the receivable write−off in 2002, income from operations decreased from $7.5 million in 2002 to $3.6 million in 2003. Operating margins as a percent of sales excluding these costs and charges decreased from 8.8% in 2002 to 4.7% in 2003.

	2002	2003
Income (Loss) from Operations as reported	$ 0.7	$ 0.7
Adjustments for special charges:		
Inventory write downs in cost of goods sold	0.4	0.1
Allowance for bad debt	2.0	0.0
Restructuring charges	1.2	1.6
Impairment of fixed assets	2.2	1.2
Impairment of goodwill	1.0	0.0
Subtotal of adjustments	6.8	2.9
Income (Loss) from Operations excl. special charges	$ 7.5	$ 3.6

The decrease in income from operations adjusted for the special charges is due to the lower net sales in 2003 and a lower gross profit due to the lower volume and change in product mix. The decline in gross profit was partially offset by a decrease in general and administrative expense.

Interest Expense, Net. Net interest expense decreased from $2.0 million in 2002 to $0.6 million in 2003. The decrease was attributable to the lower level of debt in 2003.

Income Taxes. Income tax expense decreased from $1.7 million in 2002 to $0.2 million in 2003. The effective tax rate of 130.7% in 2002 compares to 168.3% in 2003. The higher tax expense in 2002 was primarily attributable to an increase in the valuation allowance for deferred tax assets related to net operating loss carry forwards of foreign subsidiaries. The increase in valuation allowance was due to the uncertainty of future taxable income in these subsidiaries. In both years, the Company recorded a tax expense for income earned in the Americas. In both years, a tax benefit was not recorded for foreign operating losses in International operations due to the uncertainty of the realization of the tax loss carry forwards.

Comparison of Year Ended December 31, 2002 with Year Ended December 31, 2001

The Company initiated actions in 2001 and 2002 to reduce debt and to reduce capacity and costs in line with decreased demand in the telecommunications industry. These actions resulted in a lower cost structure and improved profitability in 2002 compared to 2001. Reductions were achieved in head count, facilities square footage, overhead spending and interest expense. The decrease in interest expense was due to the lower level of debt in 2002 and a lower average interest rate associated with the Company's credit agreement.

Total debt (including loans, capital leases and mortgage) decreased from $36.8 million as of December 31, 2001 to $6.5 million as of December 31, 2002. The reduction in debt was achieved by the sale/leaseback of a building, receipt of a tax refund, sale of excess and obsolete inventory and reduction in receivables. These activities occurred throughout the year in 2002.

In the fourth quarter of 2002, the Company evaluated International operations to improve profitability and rationalize manufacturing facilities. As a result of this evaluation, several actions were taken to further streamline manufacturing and reduce costs. These actions included headcount and facility square footage reductions in International operations. In addition, the management of International operations was consolidated under one management team. Additional non−recurring charges were recorded in 2002 as a result of these actions. The effects of these charges and the charges recorded in the fourth quarter of 2002 on each line item in the Consolidated Statement of Operations are included in the following analysis.

Net Sales. Net sales decreased $3.9 million or 4.4% from $88.7 million in 2001 to $84.8 million in 2002. The decrease resulted from a slowdown in equipment purchases by telecommunications service providers primarily in International operations.

International net sales decreased $3.7 million or 20.0% from $18.5 million to $14.8 million. Sales in International operations decreased due to the industry slow down and the exiting of unprofitable product lines.

Gross Profit. Gross profit increased $8.5 million from $18.8 million in 2001 to $27.3 million in 2002. In 2001, the gross profit was reduced by $8.5 million of special charges in the third quarter for inventory reserves and the costs to exit certain product lines as part of the Company's restructuring. In 2002, the gross profit was reduced by $0.4 million of special charges in the fourth quarter to write down inventory of discontinued products. Excluding the special charges in both years, gross profit increased $0.4 million from $27.3 million in 2001 to $27.7 million in 2002.

As a percentage of net sales, gross profit increased from 21.2% in 2001 to 32.2% in 2002. Excluding the special charges recorded in both years, gross profit as a percentage of net sales increased from 30.8% in 2001 to 32.7% in 2002. The improvement is due to the reduced labor and facility costs in 2002 that resulted from the Company's restructuring program.

Selling. Selling expenses decreased $3.6 million or 28.1% from $12.8 million in 2001 to $9.2 million in 2002. The decrease is the result of cost reductions in selling administration functions that were implemented as part of the Company's restructuring program.

As a percentage of net sales, selling expense decreased from 14.4% in 2001 to 10.9% in 2002.

General and Administrative. General and administrative expenses decreased $2.6 million or 18.4% from $14.1 million in 2001 to $11.5 million in 2002.

The 2002 expense includes a charge of $2 million primarily to write−off a receivable for a major broadband customer after it filed for Chapter 11 bankruptcy. The 2001 expense includes non−recurring charges of $3.5 million for costs to exit certain product lines, the write−down of prepaid expenses and additions to trade accounts receivable. Goodwill amortization of $0.6 million is included in general and administrative expenses for 2001 and was no longer amortized in 2002.

Excluding the receivable write−off, the non−recurring charges in both years and the goodwill amortization in 2001, general and administrative expenses declined $0.5 million or 5.0%. The primary reasons for the $0.5 million decrease are reduced head count in administrative functions, lower facilities costs as a result of buildings vacated, and spending reductions implemented in the Company's restructuring program. These spending reductions were partially offset by higher costs for management incentive bonuses of $0.8 million in 2002. There were no management incentive bonuses in 2001.

As a percentage of net sales, general and administrative expenses decreased from 15.9% in 2001 to 13.6% in 2002. Excluding the nonrecurring charges and goodwill amortization mentioned above, the percentage decreased from 11.3% in 2001 to 11.2% in 2002.

Research and Development. Research and development expenses decreased $0.7 million or 30.4% from $2.3 million in 2001 to $1.6 million in 2002. The decrease is the result of moving and consolidating some of the international research and development functions into U.S. operations, which reduced head count and facilities, as well as reduced spending due to depressed industry conditions. As a percentage of net sales, research and development expenses decreased from 2.6% in 2001 to 1.9% in 2002.

Restructuring charge. In 2001, the Company reduced head count and closed facilities due to a slow down in the telecommunications industry and recorded a restructuring charge of $3.0 million. The restructuring resulted in the elimination of 116 management, administrative, sales and manufacturing positions. Facilities space vacated included manufacturing and distribution space in International operations and warehouse space in the Americas.

In the fourth quarter of 2002, the Company further evaluated its International operations with the intent to improve profitability. As a result, the Company initiated actions that resulted in additional head count, costs and facilities reductions in International operations. In addition, the management of International operations was consolidated under one management team. Restructuring charges of $1.2 million were recorded in 2002 as a result of these actions.

Impairment of Fixed Assets. In the third quarter of 2001, the Company recorded an asset impairment charge of $4.3 million as a result of restructuring activities to reduce manufacturing capacity and costs worldwide. Certain production equipment, tooling and leasehold improvements were idled or sold as a result of these measures.

In 2002, an additional asset impairment charge of $2.2 million was recorded for production equipment in International operations as part of the rationalization and downsizing of manufacturing operations and for tooling associated with products discontinued in the Americas.

Impairment of Goodwill. In 2001, an impairment of goodwill charge was recorded for $11.8 million as a result of restructuring activities that reduced the level of International operations and the decision to exit certain product lines.

In 2002, a goodwill impairment charge in the International segment was recorded for $1.0 million. This impairment charge results in the full amortization of the goodwill associated with the A.C. Egerton acquisition.

Income (Loss) from Operations. As a result of the items discussed above, income from operations increased $30.2 million from a loss of ($29.5) million in 2001 to income of $0.7 million in 2002. Operating margin as a percent of sales increased from (33.3%) to 0.8%. Excluding the special charge in 2001 and 2002, amortization of goodwill in 2001, and the receivable write−off in 2002, income from operations increased from $2.2 million in 2001 to $7.4 million in 2002. Operating margins as a percent of sales excluding these costs and charges increased from 2.5% in 2001 to 8.7% in 2002.

Interest Expense, Net. Net interest expense decreased from $3.9 million in 2001 to $2.0 million in 2002. The decrease was attributable to the lower level of debt in 2002 and a lower average interest rate associated with the Company's credit agreement.

Income Taxes. Income tax expense increased from a tax benefit of ($8.2) million in 2001 to a tax expense of $1.7 million in 2002. In 2001, the tax benefit resulted from the tax deductibility of certain cost and charges associated with the Company's restructuring. In 2002, a tax expense was recorded for income earned in the U.S. In 2002, a tax benefit was not recorded for foreign operating losses due to the uncertainty of the realization of the tax loss carry forward. In addition, the Company increased its valuation allowance for deferred tax assets related to net operating loss carry forwards of foreign subsidiaries.

Liquidity and Capital Resources

Cash and cash equivalents on December 31, 2003 were $9.5 million, an increase of $6.3 million from the December 31, 2002 balance of $3.2 million. The increase in cash was primarily due to cash generated from operations and the sale of a building in the U.K. Cash generated by operating activities was $7.1 million in 2003 compared to $19.8 million in 2002. The Company received an income tax refund of $4.9 million in 2002 as a result of its net loss of $25.2 million in 2001.

Net cash provided by investing activities was $1.2 million in 2003 as compared to net cash provided by investing activities of $4.4 million in 2002. The Company generated net proceeds of $6.2 million from a sale and leaseback of a building in the Americas segment in 2002. In 2003, the Company sold a building in the International segment for $2.2 million in cash.

Net cash used in financing activities in 2003 was ($2.7) million, primarily for the repayment of debt. Net cash used in financing activities in 2002 was ($29.8) million, primarily for the repayment of debt.

Accounts receivable decreased from $10.2 million at December 31, 2002 to $10.1 million at December 31, 2003. In terms of days sales outstanding, accounts receivable decreased from 46 days at December 31, 2002 to 44 days at December 31, 2003.

Inventories increased from $7.8 million at December 31, 2002, to $8.9 million at December 31, 2003. Inventory write−offs due to discontinued products were $0.1 million in 2003 compared to

$0.4 million in 2002. Days inventory on hand increased from 49 days at December 31, 2002 to 55 days at December 31, 2003.

Accounts payable decreased from $5.8 million at December 31, 2002 to $5.1 million at December 31, 2003 as days payables decreased from 37 days to 32 days, respectively.

The Board of Directors, on April 1, 1998, having determined such action to be in the best interest of the Company, authorized a stock repurchase plan of up to $2.0 million worth of Company stock. The plan was subsequently increased to $2.75 million by the Board on December 1, 2000. The Company repurchased 22,985 shares at a cost of approximately $0.2 million in 1999; 30,900 shares of its common stock at a cost of approximately $0.2 million in 2000; and 52,300 shares of its common stock at a cost of $0.3 million in 2001. The Company did not repurchase stock in 2002 or 2003.

The Company entered into a three year Loan and Security Agreement with an asset−based lender on September 25, 2002. The Loan and Security Agreement's term loan of $4.7 million and initial revolver balance of $2.1 million as well as $9.6 million in cash were used to repay in full the prior Credit Agreement. Total debt of $16.4 million under the prior Credit Agreement was repaid. The three year term loan is repayable in quarterly payments based on a five−year amortization schedule with a balloon repayment at maturity.

Under the Loan and Security Agreement, the outstanding balance bears interest payable monthly at a variable rate based on either LIBOR or the lender's base rate. The weighted average interest rate under the Loan and Security Agreement at December 31, 2003 was 3.02%.

The Loan and Security Agreement contains various financial and operating covenants that impose limitations on the Company's ability, among other things, to incur additional indebtedness, merge or consolidate, sell assets except in the ordinary course of business, make certain investments, enter into leases and pay dividends. The Company is also required to comply with a fixed charge coverage ratio financial covenant among others. The Company was in compliance as of December 31, 2003 with the covenants of the Loan and Security Agreement.

Contractual obligations, consisting principally of payment for noncancellable operating lease obligations, long term debt and capital leases. Future payments required under these contractual obligations have been summarized in the notes to the financial statements as follows: (i) lease commitments—Note N, (ii) long term debt—Note F, and (iii) capital lease obligations—Note G.

The Company believes that cash flow from operations should be sufficient to fund the Company's capital expenditure and working capital requirements through 2004.

Contractual Obligations and Other Commitments

The following table summarizes the Company's contractual obligations and other commitments as of December 31, 2003:

	2004	2005 to 2006	2007 to 2008	2009 and Thereafter	Total
Contractual Obligations					
Long Term Debt(1)	952	2,830	—	—	3,782
Capital Lease Obligations	65	82	—	—	147
Operating Lease Obligations(2)	2,535	3,477	2,105	3,000	11,117
Employment Contracts(3)	768	1,512	1,407	—	3,687
Purchase Obligations(4)	6,628	—	—	—	6,628
	10,948	7,901	3,512	3,000	25,361

(1) The Company entered into a three year Loan and Security Agreement with an asset−based lender on September 25, 2002. See Footnote F of Notes to Consolidated Financial Statements.

(2) The Company leases manufacturing and office space and machinery & equipment under several operating leases expiring through 2012. See Footnote N to the Consolidated Financial Statements.

(3) The Company has employment agreements with its Chairman of the Board expiring July 7, 2006 and its President and Chief Executive Officer expiring December 8, 2008. Both contracts are renewable every 5 years. The Chairman of the Board's salary is set at $50,000 per annum for the remainder of the term. The President and Chief Executive Officer's base year salary is $718,320 per year, and is subject to an annual cost of living increase based on the consumer price index. Base salary may also be increased based on the discretion of the Board of Directors. In the event the President and Chief Executive Officer is terminated the Company will be obligated to make a lump sum severance payment equal to three times his then current base salary.

(4) The Company has adequate sources of supply for the raw materials used in its manufacturing processes and it attempts to develop and maintain multiple sources of supply in order to extend the availability and encourage competitive pricing of these materials. Most plastic resins are purchased under annual or multi−year pricing agreements to stabilize costs and improve supplier delivery performance. The Company is not contractually obligated to purchase product over the life of these agreements.

Off−Balance Sheet Arrangements

Our off−balance sheet arrangements consist of operating leases, employment contracts and purchase obligations as described above. In addition, as discussed in Footnote M to the Consolidated Financial Statements, the Company guaranteed debt of the Company's principal stockholder and Chairman of the Board of approximately $754 in 1997. The guaranteed debt was incurred in connection with construction of the facilities leased to the Company and is collateralized by said facilities. The loan amount subject to the unsecured guarantee is expected to decline before expiring in 2017. It is not practicable to estimate the fair value of the guarantee; however, the Company does not anticipate that it will incur losses as a result of this guarantee. The Company has not recorded a liability for this guarantee. If the principal stockholder were to default on the outstanding loan balance, the Company may be required to repay the remaining principal balance. The maximum potential amount the Company would be required to pay is equal to the outstanding principal and interest balance of the loan to the stockholder. At December 31, 2003, the outstanding loan balance subject to the guarantee totaled $613.

Forward−Looking Statements and Risk Factors

Certain statements contained in this Annual Report on Form 10−K are "forward−looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Act"), which provides certain "safe harbor" provisions for forward−looking statements. All forward−looking statements made in this Annual Report on Form 10−K are made pursuant to the Act. Forward−looking statements include statements which are predictive in nature; which depend upon or refer to future events or conditions; or which include words such as "expects," "anticipates," "intends," "plans," "believes," "estimates," or variations or negatives thereof or by similar or comparable words or phrases. In addition, any statement concerning future financial performance, ongoing business strategies or prospects, and possible future Company actions that may be provided by management are also forward−looking statements as defined by the Act. Forward−looking statements are based on current expectations and projections about future events and are subject to risks, uncertainties, and assumptions about the Company; and economic and market factors in the countries in which the Company does business, among other things. These statements are not guarantees of future performance, and the Company has no specific intentions to update these statements.

Actual events and results may differ materially from those expressed or forecasted in forward−looking statements due to a number of factors. The principal important risk factors that could cause the Company's actual performance and future events and actions to differ materially from such forward−looking statements include, but are not limited to, the risk factors discussed below.

Obsolescence and Technological Change. The communications industry is in a state of rapid technological change. The introduction of new technologies, network architectures or changes in industry standards can render the Company's existing products or products under development obsolete or unmarketable. For example, satellite, wireless and other communication technologies under development or currently being deployed may represent a threat to copper, coaxial and fiber optic−based systems by reducing the need for wire−line networks. Further, while management anticipates that a number of factors, including network capacity requirements, existing investments in wire−line networks, security and long−term cost effectiveness, will result in growth of wire−line networks, there can be no assurance that future advances or further development of these or other new technologies will not have a material adverse effect on the Company's business. The Company's growth strategies are designed, in part, to take advantage of opportunities that the Company believes are emerging as a result of the development of enhanced voice, video, data and other transmission networks, and high−speed Internet access in the telecommunications industry. There can be no assurance that demand resulting from these emerging trends will continue or that the Company's products will be met with market acceptance.

Importance of New Product Development to Growth. A significant factor in the Company's ability to grow and remain competitive will be its ability to anticipate changes in technology and industry standards, and to successfully develop and introduce new products on a timely basis. New product development often requires long−term forecasting of market trends, development and implementation of new designs and processes, and substantial capital commitment. Trends toward consolidation of the communications industry and convergence of technologies may require the Company to quickly adapt to rapidly changing market conditions and customer requirements.

The Company's manufacturing and marketing expertise has enabled it to successfully develop and market new products in the past. However, any failure by the Company to anticipate or respond in a cost−effective and timely manner to technological developments or changes in industry standards or customer requirements, or any significant delays in product development or introduction, could have a material adverse effect on the Company's business, operating results and financial condition.

Concentration of Customers; Limited Backlog. The telecommunications industry is concentrated. A relatively small number of customers account for a large percentage of the Company's available market.

Consequently, the Company's five largest customers accounted for 57.2% and 57.7% of the Company's total net sales in 2002 and 2003, respectively. Comcast accounted for 27.1% of the Company's total net sales in 2003. Comcast accounted for 28.0% of the Company's sales in 2002. Verizon accounted for 10.5% of the Company's total net sales in 2003. Mergers and acquisitions in the telecommunications industry, which are expected to continue, not only increase the concentration of the industry and of the Company's customer base but also from time to time delay customers' capital expenditures as newly merged service providers consolidate operations. In the event one of the Company's major customers were to terminate purchases of the Company's products, the Company's operating results would be adversely affected.

The Company's customers typically require prompt shipment of the Company's products within a narrow timeframe. As a result, the Company has historically operated with a relatively small backlog. Sales and operating results in any quarter are principally dependent upon orders booked and products shipped in that quarter. Further, the Company's customers generally do not enter into long−term supply contracts providing for future purchase commitments for the Company's products. These factors, when combined with the Company's operating leverage (see "Operating Leverage" below) and the need to incur certain capital expenditures and expenses in part based upon the expectation of future sales, may place the Company's operating results at risk to changing customer buying patterns. If sales levels in a particular period do not coincide with the Company's expectations, operating results for that period may be materially and adversely affected.

Dependence on the Telecommunications Industry. The Company expects that sales to the telecommunications industry will continue to represent a substantial portion of its total sales. Demand for products within this industry depends primarily on capital spending by service providers for constructing, rebuilding, maintaining or upgrading their systems. The amount of capital spending and, therefore, the Company's sales and profitability, are affected by a variety of factors, including general economic conditions, access by service providers to financing, government regulation of service providers, demand for services and technological developments in the telecommunications technology. While the industry generally experienced above average growth in the late 1990's, since 2001 the telecommunications equipment industry has been materially adversely affected by service providers' reductions of their capital expenditures.

The Company's success is dependent upon continued demand by the communications industry for products used in signal transmission systems which may be affected by factors beyond the Company's control, including the convergence of video, voice, and data transmission systems occurring within the broadband and telephone markets, continuing consolidation of companies within those markets and the provision of Internet access by broadband operators and local telephone companies.

Price Fluctuations of Raw Materials; Availability of Complementary Products. The Company's cost of sales may be materially affected by increases in the market prices of the raw materials, including resins, used in the Company's manufacturing processes. The Company does not engage in hedging transactions for such materials, although it periodically enters into purchase agreements for certain raw materials for as much as one year or more. There can be no assurance that price increases in raw materials can be passed on to the Company's customers through increases in product prices. In addition, in order to position itself as a full−line product supplier, the Company relies on certain manufacturers to supply products, including grade level boxes that complement the products manufactured by the Company. Although the Company believes there are multiple sources of supply for these products, disruptions or delays in the supply of such products could have a material adverse effect on sales of the Company's own products.

Energy Costs and Availability. The Company's cost of sales may be materially affected by increases in the market prices of electricity, natural gas and water used in the Company's manufacturing processes. California is the site of the Company's largest manufacturing operation. The energy costs of

California manufacturing firms may increase. There exists the possibility of interruption(s) in the supply of energy to California's manufacturing firms. There can be no assurance that the Company's energy costs can be passed on to the Company's customers through increases in product prices. Further, disruptions or delays in the supply of electricity, natural gas and water to the Company could have a material adverse effect on sales of the Company's products.

Acquisitions and Failure to Integrate Acquired Businesses. In the event the Company pursues any acquisitions, there can be no assurance that the Company will be able to identify and acquire attractive acquisition candidates, profitably manage any such acquired businesses or successfully integrate such acquired businesses into the Company without substantial costs, delays or other problems. Acquisitions involve a number of special risks, including, but not limited to, adverse short−term effects on the Company's reported financial condition or results of operations, diversion of management's attention, dependence on retention, hiring and training of key personnel, risks associated with unanticipated problems or liabilities and amortization of acquired intangible assets, some or all of which could have a material adverse effect on the Company's business, financial condition or results of operations.

In addition, there can be no assurance that any businesses acquired in the future will be profitable at the time of acquisition or will achieve sales and profitability justifying the Company's investment therein or that the Company will realize the synergies expected from such acquisitions.

The failure to obtain any or all of the desired results from acquisitions could have a material adverse effect on the Company's business, financial condition and results of operations.

Operating Leverage. Because the fixed costs of facilities, product development, engineering, tooling and manufacturing are a relatively high percentage of total costs, the Company's ability to operate profitably is dependent on generating a sufficient volume of product sales, thereby spreading fixed costs over the sales base. Due to this "operating leverage", a reduction in sales or the rate of sales growth has had in the past and could have in the future a disproportionately adverse effect on the Company's financial results.

Seasonality and Fluctuations in Operating Results. The Company's business is seasonal in nature, with the first and fourth quarters generally reflecting lower sales due to the impact of adverse weather conditions on construction projects that may alter or postpone the needs of customers for delivery of the Company's products. In addition, first quarter sales may also reflect customer delays in implementation of their annual capital expenditure plans. The Company's operating results may also fluctuate significantly from quarter to quarter due to several other factors, including the volume and timing of orders from and shipments to major customers, the timing of new product introductions and deployment as well as the availability of products by the Company or its competitors, the overall level of capital expenditures by broadband operators and telephone companies, market acceptance of new and enhanced versions of the Company's products, variations in the mix of products the Company sells, and the availability and costs of raw materials.

Risks Associated with International Operations. International sales, including export sales from U.S. operations, accounted for 27.2%, 23.8% and 21.2% of the Company's net sales in 2001, 2002 and 2003, respectively. Due to its international sales, the Company is subject to the risks of conducting business internationally, including unexpected changes in or impositions of legislative or regulatory requirements, fluctuations in the U.S. dollar which could materially adversely affect U.S. dollar revenues or operating expenses, tariffs and other barriers and restrictions, longer collection cycles, greater difficulty in accounts receivable collection, potentially adverse taxes and the burdens of complying with a variety of international laws and communications standards. The Company is also subject to general geopolitical risks, such as political and economic instability and changes in diplomatic and trade relationships, in connection with its international operations. There can be no assurance that these risks of conducting business internationally will not have a material adverse effect on the Company's business.

Competition. The industries in which the Company operates are highly competitive. The level and intensity of competition may increase in the future. The Company's competitors include companies that are much larger than the Company, such as Tyco, 3M, Marconi, Arris and Corning. The Company's business strategy includes increased focus on telephone connectivity. There can be no assurance that the Company will be able to compete successfully against its competitors, most of whom have access to greater financial resources than the Company.

Disruptions at the Company's Manufacturing Facility; Lease with Related Party. The majority of the Company's manufacturing operations are currently located at the Company's facilities in Temecula, California, which also includes the Company's principal warehouse and corporate office operations. The Company's success depends in large part on the orderly operation of these facilities. Because the Company's manufacturing operations and administrative departments are concentrated at this facility, a fire, earthquake, power interruption or other disaster at this facility could materially and adversely affect its business and results of operations. The Company maintains property insurance on this facility as well as business interruption insurance.

The Company currently leases a portion of its Temecula facilities from William H. Channell, Sr., a principal stockholder and Chairman of the Board of the Company. The Company believes the terms of these leases are no less favorable than would be available from an unrelated third party after arm's length negotiations. Although the Company has renewal options through the year 2015 under these leases, there can be no assurance that the Company and Mr. Channell, Sr. will be able to agree on additional renewal terms for the properties currently leased by the Company. The failure of the Company to renew the leases would require the Company to relocate its existing facilities, which could have a material adverse effect on the Company's business, financial condition or results of operations.

Dependence on Key Personnel. The future success of the Company depends in part on its ability to attract and retain key executive, engineering, marketing and sales personnel. Key personnel of the Company include William H. Channell, Sr., Chairman of the Board, William H. Channell, Jr., President and Chief Executive Officer and the other executive officers of the Company. The market for qualified personnel in the communications industry is competitive and the loss of certain key personnel could have a material adverse effect on the Company. The Company has employment contracts with William H. Channell, Jr. and William H. Channell, Sr.

Changing Regulatory Environment. The communications industry is subject to regulation in the United States and other countries. Federal and state agencies regulate most of the Company's domestic customers. Changes in current or future laws or regulations, in the United States or elsewhere, could materially adversely affect the Company's business.

Uncertain Ability to Manage Industry Volatility. The Company's business has required and is expected to continue to require significant Company resources in terms of personnel, management and other infrastructure. The Company's ability to manage effectively the volatility of the telecommunications industry requires it to attract, train, motivate and manage new employees successfully, to integrate new employees into its overall operations and to continue to improve its operational, financial and management information systems.

Environmental Matters. The Company is subject to a wide variety of federal, state and local environmental laws and regulations and uses a limited number of chemicals that are classified or could be classified as hazardous or similar substances. Although management believes that the Company's operations are in compliance in all material respects with current environmental laws and regulations, the Company's failure to comply with such laws and regulations could have a material adverse effect on the Company.

Selected Quarterly Financial Data

Set forth below is certain unaudited quarterly financial information. (See also Footnote Q to the Financial Statements included elsewhere herein.) The Company believes that all necessary adjustments, consisting only of normal recurring adjustments, have been included in the amounts stated below to present fairly, and in accordance with generally accepted accounting principles, the selected quarterly information when read in conjunction with the Financial Statements.

	Year Ended December 31, 2002				Year Ended December 31, 2003			
	1st Quarter	**2nd Quarter**	**3rd Quarter**	**4th Quarter**	**1st Quarter**	**2nd Quarter**	**3rd Quarter**	**4th Quarter**
	(amounts in thousands)				**(amounts in thousands)**			
Net sales	$ 19,841	$ 25,823	$ 19,401	$ 19,720	$ 16,218	$ 20,285	$ 19,434	$ 20,600
Gross profit	6,482	9,988	5,435	5,430	4,482	6,449	5,515	6,131
Income (loss) from operations	1,920	2,096	902	(4,248)	(67)	1,838	712	(1,786)
Income (loss) before income taxes	1,150	1,545	411	(4,435)	(188)	1,699	534	(1,919)

Item 7a. *Quantitative and Qualitative Disclosures about Market Risk*

The market risk inherent in the Company's market risk sensitivity instruments is the potential loss arising from adverse changes in interest rates and foreign currency exchange rates. All financial instruments held by the Company and described below are held for purposes other than trading.

Market Risk

The Company's Loan and Security Agreement allows the outstanding balance to bear interest at a variable rate based on the lender's base rate. The credit facility exposes operations to changes in short−term interest rates since the interest rates on the credit facility are variable.

If the variable rates on the Company's Loan and Security Agreement were to increase by 1% from the rate at December 31, 2003, and if the Company had borrowed during all of fiscal 2003 the maximum amount ($25.0 million) at any time in 2003 under its credit facility at the increased interest rate, the Company's interest expense would have increased, and net loss would have increased by $0.2 million. A marginal income tax rate of 38.0% was used in this analysis. This analysis does not consider the effects of economic activity on the Company's sales and profitability in such an environment.

Foreign Exchange Risk

The Company has assets and liabilities outside the United States that are subject to fluctuations in foreign currency exchange rates. Assets and liabilities outside the United States are primarily located in the United Kingdom, Australia and Canada. The Company's investment in foreign subsidiaries with a functional currency other than the U.S. dollar are generally considered long−term. Accordingly, the Company does not hedge these net investments. The Company also purchases a limited portion of its raw materials from foreign countries. These purchases are generally denominated in U.S. dollars and are accordingly not subject to exchange rate fluctuations. The Company has not engaged in forward foreign exchange and other similar contracts to reduce its economic exposure to changes in exchange rates because the associated risk is not considered significant.

Item 8. ***Financial Statements and Supplementary Data***

Consolidated Financial Statements of Channell Commercial Corporation are as follows:

Report of Independent Certified Public Accountants	F−1
Consolidated Balance Sheets as of December 31, 2002 and December 31, 2003	F−2
Consolidated Statements of Operations and Comprehensive Income (Loss) for the years ended December 31, 2001, December 31, 2002, and December 31, 2003	F−3
Consolidated Statement of Stockholders' Equity for the years ended December 31, 2001, December 31, 2002, and December 31, 2003	F−4
Consolidated Statements of Cash Flows for the years ended December 31, 2001, December 31, 2002, and December 31, 2003	F−5
Notes to Consolidated Financial Statements	F−6

Financial statement schedules are as follows:

Schedule II—Valuation and Qualifying Accounts

All remaining schedules are omitted because they are not applicable, or the required information is included in the financial statements or the notes thereto.

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

There has been no Form 8−K filed reporting a change of accountants or reporting disagreements on any matter of accounting principle, practice, financial statement disclosure or auditing scope or procedure.

Item 9A. ***Controls and Procedures***

Based on their evaluation as of December 31, 2003 (the "Evaluation Date"), the Company's principal executive officer and principal financial officer have concluded that, as of the Evaluation Date, the Company's disclosure controls and procedures (as defined in Rules 13a−15(e) and 15d−15(e) under the Securities Exchange Act of 1934, as amended) are effective to ensure that material information relating to the Company and its consolidated subsidiaries is recorded, processed, summarized, reported and made known to the Company's management, including the Company's principal executive and financial officers, on a timely basis by others within the Company and its consolidated subsidiaries.

To satisfy their responsibility for financial reporting, the Company's CEO and CFO have established internal controls for financial reporting which they believe are adequate to provide reasonable assurance that the Company's assets are protected from loss. These internal controls are reviewed by the Company's management in order to ensure compliance. In addition, the Company's Audit Committee meets regularly with management and the independent accountants to review accounting, auditing and financial matters. The Audit Committee and the independent accountants have free access to each other, with or without management being present.

There has been no change in the Company's internal control over financial reporting during the three months ended December 31, 2003 that has materially affected, or is reasonably likely to materially affect, internal control over financial reporting.

PART III

Item 10. *Executive Officers and Directors of the Registrant*

The following table sets forth information with respect to the Company's executive officers and directors and their ages as of March 4, 2004.

Name	Age	Positions
William H. Channell, Sr.	76	Chairman of the Board and Director
William H. Channell, Jr.	46	President, Chief Executive Officer and Director
Jacqueline M. Channell	72	Secretary and Director
Bruce Glidden	75	Director
Guy Marge	60	Director
Dana Brenner	61	Director
Edward J. Burke	48	Vice President, Corporate Engineering
Timothy Hankinson	51	Managing Director, International
John B. Kaiser	52	Vice President, North American Sales
Thomas Liguori	45	Chief Financial Officer
Andrew M. Zogby	43	Vice President, Corporate Marketing

The Company's Board of Directors was comprised of six members at March 4, 2004. The directors of the Company are staggered into three classes, with the directors in a single class elected at each annual meeting of stockholders to serve for a term of three years or until their successors have been elected and qualified. The authorized number of members of the Board of Directors is currently seven. The executive officers of the Company serve at the pleasure of the Board of Directors.

William H. Channell, Sr., the son of the Company's founder, James W. Channell, has been the Chairman of the Board since July, 1996. From 1966 to November, 2001 and from July, 2002 to December, 2003 Mr. Channell, Sr. was Chief Executive Officer. Mr. Channell, Sr. is a co−trustee of the Channell Family Trust, which is a principal stockholder of the Company, and is the husband of Jacqueline M. Channell and the father of William H. Channell, Jr. His term as a Director expires in 2005.

William H. Channell, Jr. has been President and Chief Executive Officer since December, 2003. He was President and Chief Operating Officer of the Company from 1996 to December, 2003. He has been a Director of the Company since 1984. Since joining the Company in 1979, Mr. Channell, Jr. has held the positions of Executive Vice President, Director of Marketing and National Sales Manager. Mr. Channell, Jr. is a principal stockholder of the Company and is the son of William H. Channell, Sr. and Jacqueline M. Channell. His term as a Director expires in 2006.

Jacqueline M. Channell is Secretary and has been a Director since 1966 except for approximately three months in 2001. She is a co−trustee of the Channell Family Trust, which is a principal stockholder of the Company, and is the wife of William H. Channell, Sr. and the mother of William H. Channell, Jr. Mrs. Channell's term as a Director expires in 2006.

Bruce Glidden became a Director of the Company in April, 2002. Mr. Glidden was with U.S. Steel for 29 years. From 1981 to 1985, he was President of U.S. Steel's American Bridge Division. In 1985, Mr. Glidden founded Glidden & Co., Ltd., a consulting firm serving the engineering profession and the construction industry. Mr. Glidden's term as a Director expires in 2004.

Guy Marge became a Director of the Company in August, 2002. Mr. Marge is President and Chief Executive Officer of Western Brass Industries, Inc. and Storm Industries, Inc. From 1988 to 2001, Mr. Marge was Chief Executive Officer of the Milhous Group, Inc., a manufacturer of plastic, metal−formed and pre−cast concrete products. From 1978 to 1988, Mr. Marge held executive management positions with Kearney−National, Inc., The United Groups, Inc., and Uniroyal Technology Corporation. Mr. Marge's term as a Director expires in 2004.

Dana Brenner became a Director of the Company in March, 2003. Mr. Brenner is the managing partner of Brenner, Bigler & Associates, an accounting firm with offices in Woodland Hills and Blythe, California, focused on medium and small businesses as well as individuals. Mr. Brenner has over 35 years of public accounting experience with companies in various industries including manufacturing, construction, real estate, mortgage banking and credit unions. Mr. Brenner's term as a Director expires in 2005.

Edward J. Burke has been the Company's Vice President, Corporate Engineering since May, 1996 and has served in various similar capacities with the Company since 1984. Mr. Burke has held various technical positions in the thermoplastic product engineering and tooling design field since 1978.

Timothy Hankinson joined the Company in 1998 as Managing Director, Australia and Asia as a result of the acquisition of A.C. Egerton PLC. Mr. Hankinson had been Managing Director of A.C. Egerton PLC since 1991. Prior to 1991, Mr. Hankinson had served as General Manager of an Australian aircraft manufacturer. Mr. Hankinson became Managing Director, International in December, 2002.

John B. Kaiser has been the Company's Vice President, North American Sales since 1999. He held the position of Director of Marketing for the Company from 1987 to 1991 and he was Vice President, Broadband Division from 1995 through 1998. Between 1991 and 1995, Mr. Kaiser held the position of District Manager, Southern California, for the General Polymers Division of Ashland Chemical, a thermoplastics distributor, where his responsibilities included general management of district operations, including sales, warehousing, procurement and logistics.

Thomas Liguori has been the Company's Chief Financial Officer since April, 2000. Mr. Liguori joined the Company from Dole Food Company, where he served as Chief Financial Officer of Dole Europe in Paris, France. From 1992 to 1996 he held various financial positions with Teledyne Inc., including Vice President, Finance for a manufacturer of consumer and industrial products. From 1986 to 1992 Mr. Liguori was a management consultant with Deloitte & Touche. He has over 20 years of financial, accounting and management experience.

Andrew M. Zogby has been the Company's Vice President, Corporate Marketing since March, 1996. Prior to joining the Company, Mr. Zogby was Director of Strategic Marketing, Broadband Connectivity Group for ADC Telecommunications, a publicly traded telecommunications equipment supplier to both telephone and broadband network providers worldwide. He had been with ADC Telecommunications since 1990. Mr. Zogby has held various technical marketing positions in the telecommunications equipment industry since 1984.

Compensation of Directors

Directors who are also officers of the Company (except as indicated below) receive no additional compensation for their services as directors. Prior to 2003, the Company's non−management directors received compensation consisting of an annual retainer fee of $25,000 plus $1,000 for attendance at any meeting of the Board of Directors or any committee thereof, plus direct out−of−pocket costs related to such attendance. Effective January of 2003, the fee for committee meetings was reduced to $500. Mrs. Channell also receives non−management director retainer and attendance fees. In addition, pursuant to the Company's 1996 Incentive Stock Plan (as described below), each non−management director (including Mrs. Channell) received options to acquire 1,000 shares of the Company's Common Stock with an exercise price equal to the Initial Public Offering price, and on the date of each of the Company's annual stockholder meetings after the Initial Public Offering, each non−management director (including non−executive officers who serve as directors) serving on the Board of Directors immediately following such meeting are to receive options to acquire an additional 1,000 shares of the Company's Common Stock with an exercise price equal to the market value of the Common Stock on the date such options are granted. These options will become exercisable at a rate of 33 1/3% per year commencing on the first anniversary of the date of issuance and will have a term of 10 years.

Audit Committee Financial Expert

The Board of Directors has determined that Mr. Dana Brenner qualifies as a "financial expert" within the meaning of SEC rules. Mr. Brenner is the managing partner of Brenner, Bigler & Associates, an accounting firm with offices in Woodland Hills and Blythe, California. Mr. Brenner has over 35 years of public accounting experience with companies in various industries, including manufacturing, construction, real estate, mortgage banking and credit unions.

Code of Ethics

The Company has adopted a Code of Ethics within the meaning of Item 406(b) of Regulation S−K. This Code of Ethics applies to its principal executive officer, principal financial officer and principal accounting officer. This Code of Ethics is being filed as Exhibit 14 to this Annual Report on Form 10−K. If the Company makes substantive amendments to this Code of Ethics or grants any waiver, including any implicit waiver, the Company will disclose the nature of such amendment or waiver on its website within five days of such amendment or waiver.

Section 16(a) Beneficial Ownership Reporting Compliance

Information required by Item 405 of Regulation S−K is incorporated by reference to the Company's Proxy Statement relating to its 2004 annual meeting of stockholders.

Item 11. *Executive Compensation*

Summary Compensation Table

The following table sets forth the annual and long−term compensation of the Company's Chief Executive Officer and the four additional most highly compensated executive officers for the years ended December 31, 2001, 2002 and 2003 (collectively, the "Named Officers").

		Annual Compensation						
Name and Positions Held with the Company	**Years**	**Salary ($)**	**Bonus ($)**	**Other Annual Compensation ($)(1)**	**Restricted Stock Awards ($)**	**Underlying Options/ SARs(#)**	**LTIP Payouts ($)**	**All Other Compensation ($)**
William H. Channell, Sr.(2)	2003	248,077	—	—	—	1,000(9)	—	32,187(8)
Chairman of the Board	2002	—	—	15,500(3)	—	1,000	—	30,101(8)
and Chief Executive Officer	2001	239,455	—	—	—	—	—	29,234(8)
William H. Channell, Jr.(2)	2003	656,109	261,206	—	—	1,267,800(9)	—	1,024(8)
President and Chief	2002	508,300	447,500(4)	—	—	—	—	1,186(8)
Executive Officer	2001	598,000	67,260(5)	—	—	50,000	—	1,620(6)
Thomas Liguori	2003	197,925	80,340	—	—	50,000(9)	—	2,475(6)
Chief Financial Officer	2002	185,250	60,060	—	—	—	—	—
	2001	188,200	—	—	—	44,140	—	2,212(6)
John B. Kaiser	2003	161,200	66,960	—	—	145,270(9)	—	6,882(7)
Vice President,	2002	147,250	47,740	—	—	—	—	2,046(8)
North American Sales	2001	150,589	—	—	—	7,470	—	4,371(7)
Andrew M. Zogby	2003	179,777	21,100	—	—	148,550(9)	—	5,697(7)
Vice President,	2002	164,305	53,269	—	—	—	—	1,246(8)
Corporate Marketing	2001	168,030	—	—	—	8,310	—	3,840(7)
Edward J. Burke	2003	148,412	60,242	—	—	148,550(9)	—	5,033(7)
Vice President,	2002	138,908	45,035	—	—	—	—	749(8)
Corporate Engineering	2001	142,057	—	—	—	8,310	—	2,942(7)

(1) For each individual named, compensation excludes perquisites and other personal benefits that did not exceed the lesser of $50,000 or 10% of the total annual salary and bonus reported for such individual.

(2) William H. Channell, Sr. retired as Chief Executive Officer December 10, 2003. Mr. Channell, Sr. will continue as Chairman of the Board. William H. Channell, Jr. was elected as President and Chief Executive Officer effective December 10, 2003.

(3) Other Annual Compensation in 2002 was for services as a Company Director.

(4) The bonus of William H. Channell, Jr. shown in 2002 is based on Company performance in 2001 and 2002.

(5) The bonus of William H. Channell, Jr. shown in 2001 is based on Company performance in 2000.

(6) Company contributions to the 401(k) plan.

(7) Company paid premiums for life insurance and Company contributions to the 401(k) plan.

(8) Company paid premiums for life insurance.

(9) In February, 2003, the Company offered current employees and non−employee directors an opportunity to exchange their outstanding options granted under the 1996 Stock Plan. The tender offer expired March 20, 2003. Outstanding options were cancelled for those employees and non−employee directors who tendered their shares. On September 24, 2003 new options were exchanged for the options cancelled in March, 2003. Included in the 2003 Underlying Options/SARs (#) are new options that were exchanged: Mr. Channell, Sr.: 1,000; Mr. Channell, Jr.: 596,400; Mr. Kaiser: 95,270; Mr. Zogby: 100,060; and Mr. Burke: 98,550.

1996 Incentive Stock Plan

The Company's 1996 Incentive Stock Plan (the "1996 Stock Plan") currently permits the granting to the Company's key employees, Directors and other service providers of (i) options to purchase shares of the Company's Common Stock and (ii) shares of the Company's Common Stock that are subject to certain vesting and other restrictions ("Restricted Stock"). Initially, a maximum of 750,000 shares of Common Stock were reserved for issuance under the 1996 Stock Plan. In 1999, the 1996 Stock Plan was amended to allow a maximum of 1,500,000 shares to be issued under the 1996 Stock Plan.

The 1996 Stock Plan is administered by the Compensation Committee of the Board of Directors. The aggregate number of stock options or shares of Restricted Stock that may be granted to any single participant under the 1996 Stock Plan during any fiscal year of the Company is 100,000. The purpose of the 1996 Stock Plan is to secure for the Company and its stockholders the benefits arising from stock ownership by key employees, directors and other service providers selected by the Compensation Committee.

All options granted under the 1996 Stock Plan are non−transferable and exercisable in installments determined by the Compensation Committee, except that each option is to be exercisable in minimum annual installments of 20% commencing with the first anniversary of the option's grant date. Each option granted has a term specified in the option agreement, but all options expire no later than ten years from the date of grant. Options under the 1996 Stock Plan may be designated as "incentive stock options" for federal income tax purposes or as options which are not qualified for such treatment, or "non−qualified stock options". In the case of incentive stock options, the exercise price must be at least equal to the fair market value of the stock on the date the option is granted. The exercise price of a non−qualified option need not be equal to the fair market value of the stock at the date of grant, but may be granted with any exercise price which is not less than 85% of the fair market value at the time the option is granted, as the Compensation Committee may determine. The aggregate fair market value (determined at the time the options are granted) of the shares covered by incentive stock options granted to any employee under the 1996 Stock Plan (or any other plan of the Company) which may become exercisable for the first time in any one calendar year may not exceed $100,000.

Upon exercise of any option, the purchase price must generally be paid in full either in cash or by certified or cashier's check. However, in the discretion of the Compensation Committee, the terms of a stock option grant may permit payment of the purchase price by means of (i) cancellation of indebtedness owed by the Company, (ii) delivery of shares of Common Stock already owned by the optionee (valued at fair market value as of the date of exercise), (iii) delivery of a promissory note secured by the shares issued, (iv) delivery of a portion of the shares issuable upon exercise (i.e., exercise for the "spread" on the option payable in shares), or (v) any combination of the foregoing or any other means permitted by the Compensation Committee.

Any grants of restricted stock will be made pursuant to Restricted Stock Agreements, which will provide for vesting of shares at a rate to be determined by the Compensation Committee with respect to each grant of restricted stock. Until vested, shares of restricted stock are generally non−transferable and are forfeited upon termination of employment. The Company has not made any grants of restricted stock.

In January, 2003, the Board of Directors approved an offer allowing current employees and non−employee directors to exchange all of their outstanding options granted under the 1996 Stock Plan for new options to be granted under the 2003 Stock Plan or any other stock option plan that may be adopted by the Company. At the time the Board approved the offer, certain employees' and non−employee directors' outstanding options had exercise prices that were significantly higher than the current market price of the Company's common stock. The Board of Directors made the offer in order to provide these option holders with the benefit of owning options that, over time, may have a greater potential to increase in value. The Board of Directors believes that this will create better performance incentives for these option holders. The offer expired on March 20, 2003. A total of 1,326,890 options to purchase shares of the Company were accepted for exchange and cancelled on March 20, 2003. The 2003 Incentive Stock Plan was approved at the Annual Meeting of Stockholders on April 25, 2003. On September 24, 2003, a total of 1,324,090 new options were exchanged for options cancelled in March, 2003.

Eligible option holders who participated in the offer received a new option on the new grant date in exchange for each old option that was validly tendered and accepted for exchange. The number of shares covered by each new option was equal to the number of shares covered by the old options, and the vested status and vesting schedule of the old options was preserved and continued. The exercise price of the new options was equal to the closing sale price of the Company's common stock as reported on the Nasdaq National Market on the grant date of the new options.

2003 Incentive Stock Plan

The Company's 2003 Incentive Stock Plan (the "2003 Stock Plan") currently permits the granting of (i) incentive stock options to purchase shares of the Company's Common Stock to employees of the Company and the Company's subsidiaries and (ii) nonqualified stock options to purchase shares of the Company's Common Stock to employees, Directors and consultants of the Company and the Company's subsidiaries. The 2003 Stock Plan also permits the granting of shares of the Company's Common Stock ("Stock Awards") that are subject to vesting restrictions based on continued employment or attainment of performance goals ("Restricted Stock") to employees, Directors and consultants of the Company and the Company's subsidiaries. Incentive stock options and nonqualified stock options are granted subject to the terms of a stock option agreement entered into between the participant and the Company. A maximum of 3,100,000 shares of Company Common Stock are reserved for issuance under the 2003 Stock Plan.

The 2003 Stock Plan is administered by the Compensation Committee of the Board of Directors. The aggregate number of stock options that may be granted to any single participant under the 2003 Stock Plan during any fiscal year of the Company is 1,000,000. The purpose of the 2003 Stock Plan is to secure for the Company and its stockholders the benefits arising from stock ownership by employees, directors and consultants selected by the Compensation Committee.

Options granted under the 2003 Stock Plan are non−transferable other than by will or by the laws of descent or distribution and exercisable, during the lifetime of the participant, only by the participant at times and under conditions determined by the Compensation Committee. Each option granted has a term specified in the stock option agreement, but all options expire no later than ten years from the date of grant. Options under the 2003 Stock Plan may be designated as "incentive stock options" for federal income tax purposes or as "nonqualified stock options." In the case of incentive stock options, the exercise price must be at least equal to the fair market value of the share of Company Common Stock on the date the option is granted. The exercise price of a nonqualified stock option need not be equal to the fair market value of the share of Company Common Stock on the date of grant, but may be granted, at the discretion of the Compensation Committee, at any exercise price which is not less than 85% of the fair market value at the time the option is granted. The aggregate fair market value (determined at the time the options are granted) of the shares of Company Common Stock covered by incentive stock options granted to any employee under the 2003 Stock Plan (or any other plan of the Company) which may become exercisable for the first time in any one calendar year may not exceed $100,000.

Upon exercise of an option, the purchase price must generally be paid in full in cash or by cashiers check. However, at the discretion of the Compensation Committee, the terms of a stock option agreement may permit payment of the purchase price by means of (i) delivery of shares of Common Stock already owned by the participant (valued at fair market value as of the date of exercise), (ii) to the extent permitted by applicable law, delivery of a promissory note secured by the shares issued, (iii) delivery of a portion of the shares issuable upon exercise (i.e., exercise for the "spread" on the option payable in shares), or (iv) any combination of the foregoing or any other means permitted by the Compensation Committee.

Grants of Stock Awards are made pursuant to a restricted stock agreement entered into between the Company and the participant. A stock agreement provides (i) the rate at which shares of Restricted Stock will vest and (ii) any other terms and restrictions deemed appropriate by the Compensation Committee. Until vested, shares of Restricted Stock are generally non−transferable and forfeitable upon termination of employment.

In the event of a merger, reorganization or sale of substantially all of the assets of the Company, the Compensation Committee, may, in its discretion, do one or more of the following: (i) shorten the period during which options are exercisable, (ii) accelerate any vesting schedule to which an option or Stock Award is subject; (iii) arrange to have the surviving or successor entity assume the Stock Awards and the options or grant replacement options or (iv) cancel options or Stock Awards upon payment to the participants in cash, with respect to each option or Stock Award to the extent then exercisable or vested, of an amount that is equal to the excess of the fair market value of the Company's Common Stock (at the effective time of the merger, reorganization, sale or other event) over (in the case of options) the exercise price of the option.

The Board of Directors may at any time amend, alter or suspend or terminate the 2003 Stock Plan. No amendment, alteration or suspension or termination of the 2003 Stock Plan may impair the rights of a participant, unless mutually agreed to by the Company and the participant.

Options/SAR Grants Table

The following table sets forth the stock options granted to the Named Officers for the year ended December 31, 2003.

Name	Number of Securities Underlying Options/SARs Granted	% of Total Options/SARs Granted to Employees in Fiscal Year 2003	Exercise On Base Price ($/Sh)	Expiration Date	Potential Realized Value at Assumed Annual Rates of Stock Price Appreciation of Option Term (3)	
					5%	10%
William H. Channell, Sr.	1,000(1)	0.0%	$ 4.84	September 2013	3,044	7,714
William H. Channell, Jr.	321,400(2)	13.8%	$ 4.75	January 2013	960,102	2,433,087
	596,400(1)	25.5%	$ 4.84	September 2013	1,815,352	4,600,459
	350,000	15.0%	$ 4.15	December 2013	913,469	2,314,911
Thomas Liguori	50,000	2.1%	$ 4.75	January 2013	149,362	378,514
John B. Kaiser	50,000(2)	2.1%	$ 4.75	January 2013	149,362	378,514
	95,270(1)	4.1%	$ 4.84	September 2013	289,988	734,885
Andrew M. Zogby	50,000(2)	2.1%	$ 4.75	January 2013	149,362	378,514
	100,060(1)	4.3%	$ 4.75	September 2013	304,568	771,834
Edward J. Burke	50,000(2)	2.1%	$ 4.75	January 2013	149,362	378,514
	98,550(1)	4.2%	$ 4.84	September 2013	299,971	760,186

(1) In February, 2003, the Company offered current employees and non−employee directors an opportunity to exchange their outstanding options granted under the 1996 Stock Plan. The tender offer expired March 20, 2003. Outstanding options were cancelled for those employees and non−employee directors who tendered their shares. On September 24, 2003 new options were exchanged for the options cancelled in March, 2003.

(2) Options granted in January, 2003 that were subsequently cancelled in March, 2003 as part of the Company's offer to exchange outstanding options granted under the 1996 Stock Plan.

(3) The calculation of potential realizable value assumes annual growth rates for each of the grants shown over their 10−year option term. For example, a $4.84 per share price with a 5% annual growth rate results in a stock price of $7.88 per share and a 10% rate results in a stock price of $12.55 per share. Actual gains, if any, on exercised stock options are dependent on the future performance of the stock.

Aggregated Option/SAR Exercises in Last Fiscal Year and December 31, 2003 Option/SAR Values

The following table sets forth the number and value of outstanding stock options at December 31, 2003.

No options were exercised in 2003.

Name	Shares Acquired On Exercise	Value Realized	Number of Shares Underlying Unexercised Options/SARs at December 31, 2003		Value of Unexercised In−the− Money Options/SARs at December 31, 2003	
			Exercisable	Unexerciseable	Exercisable	Unexerciseable
William H. Channell, Sr.	0	0	334	666	$ 0	$ 0
William H. Channell, Jr.	0	0	258,334	688,066	$ 0	$ 7,000
Thomas Liguori	0	0	54,428	64,712	$ 22,440	$ 11,219
John B. Kaiser	0	0	42,781	52,489	$ 0	$ 0
Andrew M. Zogby	0	0	47,291	52,769	$ 0	$ 0
Edward J. Burke	0	0	46,201	52,349	$ 0	$ 0

Profit Sharing and Savings Plans

The Company maintains a plan, established in 1993, in accordance with Section 401(k) of the Internal Revenue Code. Under the terms of this plan, eligible employees may make voluntary contributions to the extent allowable by law. Employees of the Company are eligible to participate in the plan after 90 days of employment. Matching contributions by the Company to this plan are discretionary and will not exceed that allowable for Federal income tax purposes. The Company's contributions are vested over five years in annual increments.

Employment Contracts

The Company in December, 2003 entered into a five year employment agreement, renewable every five years, with William H. Channell, Jr. Mr. Channell, Jr.'s annual salary is $718,320 (subject to an annual cost of living adjustment). Mr. Channell, Jr. is entitled to participate in the Stock Plan, the 401(k) Plan and the Incentive Compensation Plan. Additionally, the employment agreement provides for incentive compensation to Mr. Channell, Jr., based upon personal performance objectives and increases in the Company's market capitalization over a three−year period. Mr. Channell, Jr. is also entitled to certain other benefits paid for by the Company, including an automobile allowance, health insurance and sick leave, in accordance with the Company's customary practices for senior executive officers. In the event that the Company were to terminate Mr. Channell, Jr. without cause (as defined in the agreement), or Mr. Channell, Jr. were to terminate his employment for good reason (also as defined in the agreement and including, without limitation, a change of control of the Company), then Mr. Channell, Jr. would be entitled to a lump sum payment equal to three times his then current base salary, all health and life insurance benefits for three years, and accelerated vesting of any stock options or restricted stock granted to him.

The Company amended in December, 2003 the employment agreement with Mr. Channell, Sr. originally entered into in July, 1996. Mr. Channell, Sr.'s annual salary starting in December, 2003 is $50,000. Mr. Channell, Sr.'s benefits include (i) during the term of the agreement, the payment of premiums for a term disability policy providing for $250,000 in annual benefits in the case of his temporary or permanent disability, (ii) during the lifetime of Mr. Channell, Sr. and his wife, Jacqueline M. Channell, medical insurance for each of Mr. and Mrs. Channell comparable to that provided to the Company's senior executive officers, (iii) during Mr. Channell, Sr.'s lifetime, a portion of the premiums on a $1,500,000 life insurance policy owned by Mr. Channell, Sr., under which Mrs. Channell is the beneficiary, and (iv) an automobile allowance.

Incentive Compensation Plan

Effective beginning in the Company's 1996 fiscal year, the Board of Directors adopted the Company's 1996 Performance−Based Annual Incentive Compensation Plan (the "Incentive Plan").

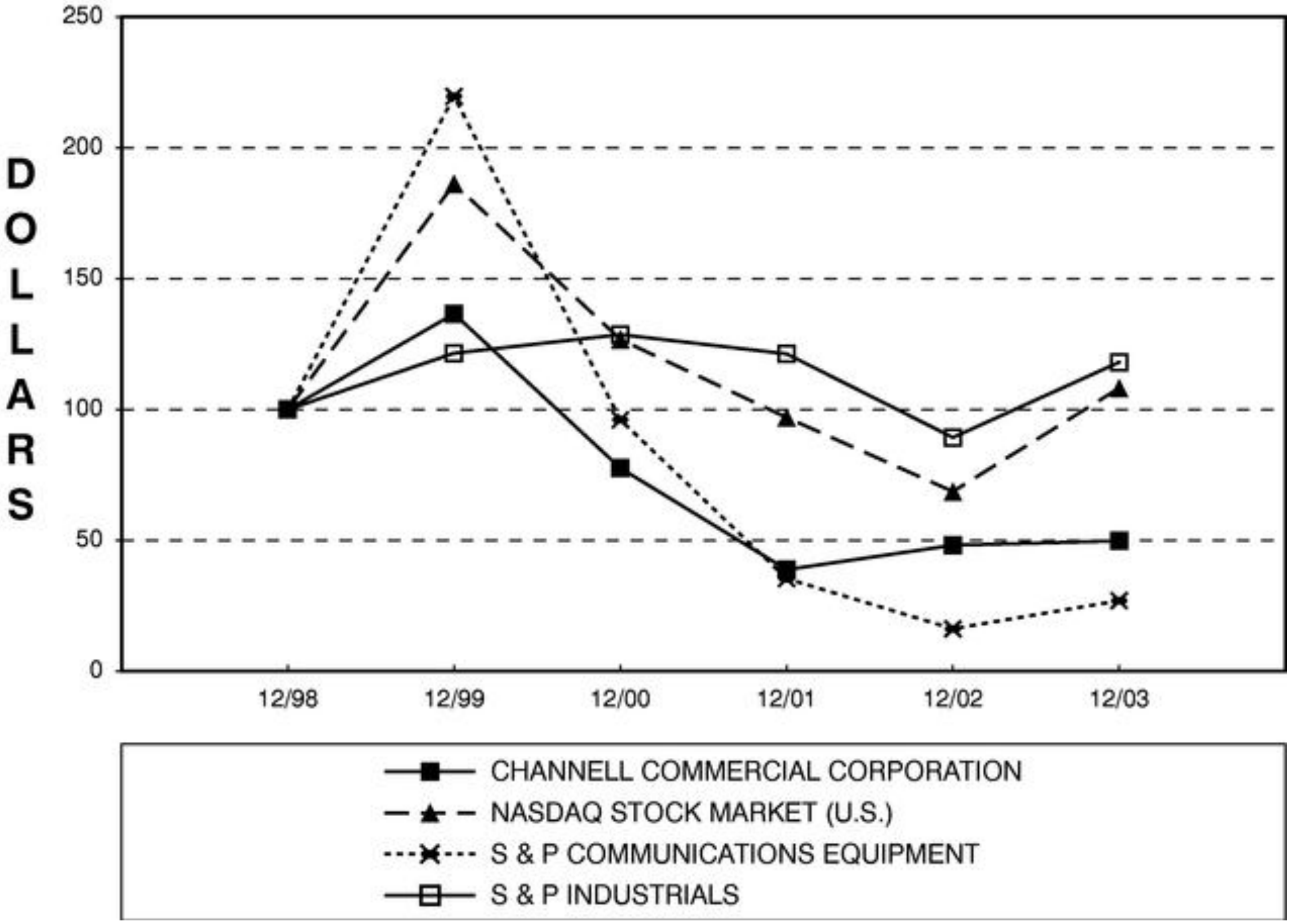
Eligible participants consist of key employees of the Company. The Incentive Plan is administered by the Compensation Committee of the Board of Directors. The amount of awards granted under the Incentive Plan are determined based on an objective computation of the actual performance of the Company relative to pre−established performance goals. Measures of performance may include level of sales, EBITDA, net income, income from operations, earnings per share, return on sales, expense reductions, return on capital, stock appreciation, return on equity, invention, design or development of proprietary products or improvements thereto (patented or otherwise), or sales of such proprietary products or improvements or profitability achieved from sales of proprietary products or improvements. Awards under the Incentive Plan are payable in cash or, at the election of the Compensation Committee, Common Stock of the Company. Mr. William H. Channell, Jr., the Company's President and Chief Executive Officer, receives a bonus based on the factors above. The bonus was earned and payable based on continued service in subsequent years for fiscal year 2001 and prior. In 2002, the Compensation Committee changed the bonus to be earned and payable in the current year. The Compensation Committee may establish a bonus pool from which all awards under the Incentive Plan may be granted as well as individual, non−bonus pool awards.

The Company's executive compensation program is administered by the Compensation Committee of the Board of Directors. As of March 4, 2004, the members of this Committee included Mr. Guy Marge, as Chairperson, Mr. William H. Channell, Sr. and Mr. Dana Brenner. It is the responsibility of the Committee to review and approve the Company's executive compensation plans and policies and to monitor these compensation programs in relation to the performance of the particular executive and the overall performance of the Company.

In February 2003, the Company offered current employees and non−employee directors an opportunity to exchange their outstanding options granted under the 1996 Stock Plan. The tender offer expired on March 20, 2003. Pursuant to the offer, a total of 1,326,890 options were cancelled on March 20, 2003. On September 24, 2003, a total of 1,324,090 new options were exchanged for options cancelled in March 2003. (See "Executive Compensation—1996 Incentive Stock Plan", Item 11.)

The following is a line graph presentation comparing the Company's cumulative total return since the Initial Public Offering in July 1996 to December 31, 2003 with the performance of the NASDAQ market, the S & P Industrials and a similar Industry Index for the same period.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*
AMONG CHANNELL COMMERCIAL CORPORATION,
THE NASDAQ STOCK MARKET (U.S.) INDEX
THE S & P COMMUNICATIONS EQUIPMENT INDEX AND THE S & P INDUSTRIALS INDEX



* $100 invested on 12/31/98 in stock or index−including reinvestment of dividends. Fiscal year ending December 31.

www.researchdatagroup.com/S&P.htm

Board Meetings and Committees

The Board of Directors held ten meetings during the fiscal year ending December 31, 2003. The Board has two standing committees: the Audit Committee and the Compensation Committee, both established in June 1996. The Board does not have a Nominating Committee. The Audit Committee recommends engagement of the Company's independent accountants, approves the services performed by such accountants and reviews and evaluates the Company's accounting systems and its system of internal accounting controls. All members of the Audit Committee are independent as defined by NASD rule 4200(a)(14). Mr. Brenner is the managing partner of Brenner, Bigler & Associates, an accounting firm with offices in Woodland Hills and Blythe, California. Mr. Brenner has over 35 years of public accounting experience with companies in various industries, including manufacturing, construction, real estate, mortgage banking and credit unions.The Board has adopted a written charter for the Audit Committee. The Compensation Committee makes recommendations to the full Board of Directors regarding levels and types of compensation of the Company's executive officers and administers the 1996 Stock Plan, the 2003 Stock Plan and the Incentive Compensation Plan. See "Executive Compensation" and "Description of Certain Plans". In 2003, the Audit Committee met three times and the Compensation Committee met five times in performing their responsibilities. In 2003, no director failed to attend at least 75% of the aggregate number of Board and Committee meetings during the period of his or her service.

Compensation Committee Interlocks and Insider Participation in Compensation Decisions

During 2003, members of the Company's Compensation Committee consisted of Messrs. Guy Marge as Chairman, William H. Channell, Sr., and Dana Brenner. No additional information concerning the Compensation Committee or the Company's executive officers is required by Item 402 of Regulation S−K.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

Information required by Item 201(d) of Regulation S−K is incorporated by reference to the Company's Proxy Statement relating to the 2004 Annual Meeting of Stockholders.

The following table sets forth certain information concerning those persons who are known by management of the Company to be beneficial owners of more than 5% of the Company's outstanding common stock (as provided to the Company by such persons or the record holder of such shares).

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership: No. of Shares Owned	Exercisable Options(1)	Total	Percent of Class
William H. Channell, Sr. and Jacqueline M. Channell, as co−trustees of the Channell Family Trust 26040 Ynez Road Temecula, CA 92591	3,250,830	6,335	3,257,165	35.6%
William H. Channell, Jr. 26040 Ynez Road Temecula, CA 92591	715,250	382,134	1,097,384	7.8%
Rutabaga Capital Management, LLC 64 Broad Street Boston, MA 02109	977,650	—	977,650	10.7%
Fidelity Management & Research Co. 82 Devon Street Boston, MA 02109	912,524	—	912,524	10.0%
State of Wisconsin Investment Board P.O. Box 7842 Madison, WI 53707	701,300	—	701,300	7.7%
Wellington Management Company, LLP 75 State Street Boston, MA 02109	613,900	—	613,900	6.7%
The Taylor Family Trust 1450 Ravenswood Lane Riverside, CA 92506	469,960	—	469,960	5.1%
Carrie S. Channell 18 Buena Vista Avenue Mill Valley, CA 94941	450,000	—	450,000	4.9%

(1) Refers to the number of shares covered by options exercisable within 60 days of March 2, 2004.

Security Ownership of Management

The following table sets forth certain information, as of March 2, 2004, concerning the beneficial ownership of common stock by the Company's directors and Named Officers, and all directors and executive officers of the Company as a group.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership			Percent of Class
	No of Shares Owned	Exercisable Options(1)	Total	
William H. Channell, Sr.	3,250,830	334	3,251,164	35.6%
Jacqueline M. Channell	0	6,001	6,001	0.0%
William H. Channell, Jr.	715,250	382,134	1,097,384	7.8%
Thomas Liguori	30,300	71,095	101,395	*
Bruce Glidden	1,000	668	1,668	*
Guy Marge	0	334	334	0.0%
Dana Brenner	0	334	334	0.0%
Edward J. Burke	1,000	62,934	63,934	*
John B. Kaiser	890	59,514	60,404	*
Andrew M. Zogby	900	64,024	64,924	*
Total Listed Individually	4,000,170	647,372	4,647,542	
All present directors and executive officers as a group (11 in number)	4,000,170	675,539	4,675,709	43.4%

* Less than 1%

(1) Refers to the number of shares covered by options exercisable within 60 days of March 2, 2004.

Item 13. *Certain Relationships and Related Transactions*

The Company has two leases for approximately 261,000 square feet of manufacturing, warehouse and office space in Temecula, California, with William H. Channell, Sr., a principal stockholder and Chairman of the Board of the Company. The term of the first lease is through December 31, 2005, with two five−year renewal options. Additionally, an adjacent 100,000 square foot building was constructed and completed in 1996. Subsequent to December 31, 1996, the Company guaranteed debt of Mr. Channell, Sr. of approximately $0.8 million incurred in connection with construction of the building. The loan amount subject to the guarantee is expected to decline before expiring in 2016. At December 31, 2003, the outstanding loan balance subject to the guarantee totaled $0.6 million. It is not practicable to estimate the fair value of the guarantee; however, the Company does not anticipate that it will incur losses as a result of this guarantee. This building is also being leased from Mr. Channell, Sr. through 2005, with two five−year renewal options. Both leases provide for payments of insurance, repairs, maintenance and property taxes. Rent expense paid under the leases was $1.2 million, $1.3 million and $1.3 million for the years ended December 31, 2001, 2002 and 2003, respectively. The Company believes that the terms of these leases are no less favorable to the Company than could be obtained from an independent third party. As part of the restructuring plan announced in the third quarter of 2001, the Company has vacated warehouse space in one of the facilities. The Company intends to sublease the vacated warehouse space.

In January, 2001, the Company guaranteed personal debt of William H. Channell, Jr., the Company's President and Chief Executive Officer, of $0.6 million. In connection with this guarantee, William H. Channell, Jr. paid the Company a fee equal to 1% of the loan balance and provided as collateral to the Company 300,000 shares of Company stock. It was not practicable to estimate the fair value of the guarantee. The guarantee was canceled by the lender in March, 2002.

In May, 2002 the Company sold its RF line of passive electronic devices to RMS Communications, Inc., which is owned by Gary Napolitano, a former officer of the Company. A sale in the amount of $800,000 was recorded. RMS Communications, Inc. paid the Company $125,000 in cash at the time of sale, and the remaining $675,000 is payable in monthly installments through June 30, 2003, bearing interest at 7% per annum. The account is currently in arrears. The amount due from RMS Communications, Inc. included in accounts receivable at December 31, 2003 is $337,494. The Company has security interest in the inventory and a personal guarantee from Mr. Napolitano and believes the amount will be paid in full.

In 2003, the Company paid $72,912 to Carolyn Channell for consulting services. Mrs. Channell is the wife of William H. Channell, Jr., the Company's President and Chief Executive Officer. Mrs. Channell consults on insurance coverage matters for the Company.

Item 14. ***Principal Accounting Fees and Services***

The information required by Item 14 of Form 10−K is incorporated by reference to the Company's definitive proxy statement for the 2004 Annual Meeting of Stockholders.

PART IV

Item 15. ***Exhibits, Financial Statement Schedules and Reports on Form 8−K***

(a)

The following financial statements and schedules are filed as a part of this report:

(1)

Consolidated Financial Statements
See index included in Part II, Item 8.

(2)

Consolidated Financial Statement Schedules
Schedule II—Valuation and Qualifying Accounts
All remaining schedules are omitted because they are not applicable, or the required information is included in the financial statements or notes thereto.

(a)(3) and (c). The following exhibits are filed herewith:

(b)

Reports on Form 8−K

Exhibit Number	Description
3.1	Restated Certificate of Incorporation of the Company (1)
3.2	Bylaws of the Company (1)
4	Form of Common Stock Certificate (1)
10.1	Tax Agreement between the Company and the Existing Stockholders (1)
10.2.1	Channell Commercial Corporation 1996 Incentive Stock Plan (including form of Stock Option Agreements and Restricted Stock Agreement) (1)
10.2.2	Channell Commercial Corporation 2003 Incentive Stock Plan (8)
10.3	Loan and Security Agreement dated as of September 25, 2002 by and among the Company, Channell Commercial Canada Inc., Fleet Capital Corporation, Fleet Capital Canada Corporation and, under the circumstances set forth therein, Fleet National Bank, London U.K. Branch, trading as Fleet Boston Financial, and the U.K. Borrowers (as defined therein, if any) (6)
10.4	Employment Agreement between the Company and William H. Channell, Sr. (1)
10.5	Employment Agreement between the Company and William H. Channell, Jr. (1)
10.6	Channell Commercial Corporation 1996 Performance−Based Annual Incentive Compensation Plan (1)
10.7	Lease dated December 22, 1989 between the Company and William H. Channell, Sr., as amended (1)
10.8	Lease dated May 29, 1996 between the Company and the Channell Family Trust (1)
10.9	Lease dated October 26, 2000 between the Company and Belston Developments Inc. (4)
10.10	Lease Agreement dated as of March 1, 1996 between Winthrop Resources Corp. and the Company (1)
10.11	Form of Indemnity Agreement (1)
10.12	Form of Agreement Regarding Intellectual Property (1)
10.13	401(k) Plan of the Company (3)
10.14	A.C. Egerton (Holdings) PLC Share Purchase Agreement (2)
10.15	Amendment to Employment Agreement between the Company and William H. Channell, Jr., dated December 31, 1998 (3)
10.16	Further Amendment to Employment Agreement between the Company and William H. Channell, Jr., dated July 15, 2002 (5)
10.17	Lease dated June 27, 2002 between the Company and Ynez Street, Ltd (5)

10.18	Mutual Specific and General Release between the Company and Richard A. Cude, dated August 2, 2002 (7)
10.19	Amendment to Employment Agreement between the Company and William H. Channell, Sr., dated December 9, 2003 (9)
10.20	Employment Agreement between the Company and William H. Channell, Jr., dated December 9, 2003 (9)
14	Channell Commercial Corporation Code of Business Conduct and Ethics (9)
23	Consent of Certified Public Accountants (9)
31.1	Certification of Chief Executive Officer pursuant to Rule 13a−14(a)/Rule 15d−14(a) under the Securities and Exchange Act of 1934. (9)
31.2	Certification of Chief Financial Officer pursuant to Rule 13a−14(a)/Rule 15d−14(a) under the Securities and Exchange Act of 1934. (9)
32.1	Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes−Oxley Act of 2002 by William H. Channell, Jr., CEO; and Thomas Liguori, CFO. (9)

(1) Incorporated by reference to the indicated exhibits filed in connection with the Company's Registration Statement on Form S−1 (File No. 333−3621).

(2) Incorporated by reference to the indicated exhibits filed in connection with the Company's Form 8−K on May 18, 1998.

(3) Incorporated by reference to the indicated exhibits filed in connection with the Company's Form 10−K on March 31, 1999.

(4) Incorporated by reference to the indicated exhibits filed in connection with the Company's Form 10−K on April 2, 2001.

(5) Incorporated by reference to the indicated exhibits filed in connection with the Company's Form 10−Q on August 9, 2002.

(6) Incorporated by reference to the indicated exhibits filed in connection with the Company's Form 8−K dated September 25, 2002.

(7) Incorporated by reference to the indicated exhibits filed in connection with the Company's Form 10−Q on November 12, 2002.

(8) Incorporated by reference to Appendix B filed in connection with the Company's Definitive Proxy Statement on March 26, 2003.

(9) Filed herewith.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors and Stockholders
Channell Commercial Corporation

We have audited the consolidated balance sheets of Channell Commercial Corporation as of December 31, 2002 and 2003, and the related consolidated statements of operations and comprehensive income (loss), stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Channell Commercial Corporation as of December 31, 2002 and 2003, and the consolidated results of their operations and their consolidated cash flows for each of the three years in the period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States of America.

We have also audited Schedule II of Channell Commercial Corporation for each of the three years in the period ended December 31, 2003. In our opinion, this schedule presents fairly, in all material respects, the information required to be set forth therein.

/s/ GRANT THORNTON LLP

Los Angeles, California
February 6, 2004

CHANNELL COMMERCIAL CORPORATION

CONSOLIDATED BALANCE SHEETS

December 31,
(amounts in thousands)

	2002	2003
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 3,162	$ 9,527
Accounts receivable, net	10,156	10,051
Inventories	7,757	8,855
Deferred income taxes	1,037	876
Prepaid expenses and other current assets	1,090	996
Income taxes receivable	247	102
Total current assets	23,449	30,407
PROPERTY AND EQUIPMENT, net	25,431	17,164
DEFERRED INCOME TAXES	4,367	5,277
INTANGIBLE ASSETS, net of amortization of $207 in 2002	504	613
OTHER ASSETS	412	504
	$ 54,163	$ 53,965
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	5,820	5,103
Short term debt (including current maturities of long term debt)	952	952
Current maturities of capital lease obligations	694	57
Accrued restructuring liability	2,155	2,857
Accrued expenses	3,625	4,240
Total current liabilities	13,246	13,209
LONG−TERM DEBT, less current maturities	4,877	2,830
CAPITAL LEASE OBLIGATIONS, less current maturities	25	67
DEFERRED GAIN ON SALE LEASEBACK TRANSACTION	574	513
COMMITMENTS AND CONTINGENCIES	—	—
STOCKHOLDERS' EQUITY		
Preferred stock, par value $.01 per share, authorized—1,000 shares, none issued and outstanding	—	—
Common stock, par value $.01 per share, authorized—19,000 shares; issued—9,369 in 2002 and 9,372 in 2003; outstanding—9,125 shares in 2002 and 9,128 shares in 2003	94	94
Additional paid−in capital	28,655	28,664
Treasury stock—244 shares in 2002 and 2003	(1,871)	(1,871)
Retained earnings	10,556	10,470
Accumulated other comprehensive loss		
Foreign currency translation	(1,993)	(11)
Total stockholders' equity	35,441	37,346
	$ 54,163	$ 53,965

The accompanying notes are an integral part of these financial statements.

CHANNELL COMMERCIAL CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

Year ended December 31,
(amounts in thousands, except per share data)

	2001	2002	2003
Net sales	$ 88,698	$ 84,785	$ 76,537
Cost of goods sold	69,892	57,450	53,960
Gross profit	18,806	27,335	22,577
Operating expenses			
Selling	12,789	9,246	9,465
General and administrative	14,124	11,452	7,710
Research and development	2,331	1,619	1,902
Restructuring charge	2,999	1,228	1,565
Asset impairment charge	4,322	2,154	1,238
Goodwill impairment charge	11,772	966	—
	48,337	26,665	21,880
Income (loss) from operations	(29,531)	670	697
Interest income	72	89	122
Interest expense	(3,946)	(2,088)	(693)
Income (loss) before income tax expense (benefit)	(33,405)	(1,329)	126
Income tax expense (benefit)	(8,207)	1,737	212
Net loss	$ (25,198)	$ (3,066)	$ (86)
Net loss per share			
Basic	$ (2.78)	$ (0.34)	$ (0.01)
Diluted	$ (2.78)	$ (0.34)	$ (0.01)
Net loss	(25,198)	(3,066)	(86)
Other comprehensive income (loss), net of tax			
Foreign currency translation adjustments	(937)	688	1,982
Comprehensive net income (loss)	$ (26,135)	$ (2,378)	$ 1,896

The accompanying notes are an integral part of these financial statements.

CHANNELL COMMERCIAL CORPORATION

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

Years ended December 31, 2001, 2002 and 2003
(amounts in thousands)

	Common Stock		Additional paid−in capital	Treasury stock		Retained earnings	Accumulated other comprehensive Income (loss)	Total stockholders' equity
	Shares	Amount		Shares	Amount			
Balance, January 1, 2001	9,269	$ 93	$ 28,334	192	$ (1,576)	$ 38,820	$ (1,744)	$ 63,927
Treasury stock acquired	—	—	—	52	(295)	—	—	(295)
Foreign currency translation	—	—	—	—	—	—	(937)	(937)
Net loss for the year	—	—	—	—	—	(25,198)	—	(25,198)
Balance, December 31, 2001	9,269	$ 93	$ 28,334	244	$ (1,871)	$ 13,622	$ (2,681)	$ 37,497
Exercise of employee stock options	100	1	321	—	—	—	—	322
Foreign currency translation	—	—	—	—	—	—	688	688
Net loss for the year	—	—	—	—	—	(3,066)	—	(3,066)
Balance, December 31, 2002	9,369	$ 94	$ 28,655	244	$ (1,871)	$ 10,556	$ (1,993)	$ 35,441
Exercise of employee stock options	3	—	9	—	—	—	—	9
Foreign currency translation	—	—	—	—	—	—	1,982	1,982
Net loss for the year	—	—	—	—	—	(86)	—	(86)
Balance, December 31, 2003	9,372	$ 94	$ 28,664	244	$ (1,871)	$ 10,470	$ (11)	$ 37,346

The accompanying notes are an integral part of these financial statements.

CHANNELL COMMERCIAL CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended December 31,
(amounts in thousands)

	2001	2002	2003
Cash flows from operating activities:			
Net loss	$ (25,198)	$ (3,066)	$ (86)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	8,557	7,785	6,232
Asset impairment charge	4,322	2,154	1,238
Goodwill impairment charge	11,772	966	—
Loss on disposal of fixed assets	353	348	108
Amortization of deferred gain on sale leaseback	—	(30)	(61)
Deferred income taxes	(3,709)	1,193	(749)
Changes in assets and liabilities:			
Accounts receivable	10,157	3,120	751
Inventories	11,330	2,182	(374)
Prepaid expenses and other current assets	304	156	327
Income taxes receivable	(2,889)	4,682	61
Other assets	69	32	(90)
Accounts payable	(3,348)	562	(1,046)
Restructuring liability	1,408	(388)	296
Accrued expenses	836	71	520
Net cash provided by operating activities	13,964	19,767	7,127
Cash flows from investing activities:			
Purchase of property and equipment	(3,153)	(1,886)	(1,203)
Proceeds from sale of property and equipment	—	6,232	2,357
Net cash (used in) provided by investing activities	(3,153)	4,346	1,154
Cash flows from financing activities:			
Repayment of debt	(2,553)	(35,133)	(2,047)
Proceeds from issuance of long−term debt	2,500	6,742	—
Payment of capital lease obligations	(2,579)	(1,763)	(624)
Purchase of treasury stock	(295)	—	—
Exercise of employee stock options	—	322	9
Net cash used in financing activities	(2,927)	(29,832)	(2,662)
Effect of exchange rates on cash	(35)	119	746
Increase (decrease) in cash and cash equivalents	7,849	(5,600)	6,365
Cash and cash equivalents, beginning of year	913	8,762	3,162
Cash and cash equivalents, end of year	$ 8,762	$ 3,162	$ 9,527
Cash paid during the year for:			
Interest	$ 3,801	$ 1,608	$ 292
Income taxes	$ 752	$ 1,122	$ 749

The accompanying notes are an integral part of these financial statements.

NOTE A—DESCRIPTION OF BUSINESS

The Company is a designer and manufacturer of telecommunications equipment supplied to broadband and telephone network providers worldwide. Major product lines include a complete line of thermoplastic and metal fabricated enclosures, advanced copper termination and connectorization products and fiber optic cable management. The Company's enclosure products house, protect and provide access to advanced telecommunications hardware, including both radio frequency electronics and photonics, and transmission media, including coaxial cable, copper wire and optical fibers, used in the delivery of voice, video and data services. The enclosure products are deployed within the portion of a local signal delivery network, commonly known as the "outside plant" or "local loop", that connects the network provider's signal origination office with residences and businesses.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Estimates—In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates include accounts receivables reserves, the inventory valuation reserve, restructuring accruals associated with vacated facilities, valuation of goodwill and long lived assets and the deferred tax asset valuation allowance. Actual results could differ from those estimates and the differences could be material.

Basis of Consolidation—The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany transactions and balances have been eliminated.

Foreign Currency Translation—Assets and liabilities of foreign operations are translated into U.S. dollars at current exchange rates. Income and expenses are translated into U.S. dollars at average rates of exchange prevailing during the period. Adjustments resulting from translating foreign functional currency financial statements into U.S. dollars are included in other comprehensive income. Foreign currency transaction gains and losses are included in general and administrative expenses. Transactions gains and losses were not significant in 2001, 2002 and 2003.

Cash and Cash Equivalents—For purposes of reporting cash flows, cash and cash equivalents include cash on hand, cash in banks and short−term investments with original maturities of 90 days or less.

Inventories—Inventories are stated at the lower of cost or market. Cost is determined by the first−in, first−out method of accounting. Cost includes material, direct production costs, and factory overhead costs.

Property and Equipment—Property and equipment are stated at cost. Depreciation is computed using the straight−line method over the estimated useful lives of the assets. Capital lease assets are amortized using the straight−line method over the useful lives of the assets. Expenditures for all maintenance and repairs are charged against income. Additions, major renewals and replacements that increase the useful lives of assets are capitalized. Amortization of leasehold improvements is computed using the straight−line method over the shorter of the lease term or the estimated useful life of the leasehold improvements.

Impairment of Long−Lived Assets—When events or circumstances indicate the carrying value of a long−lived asset may be impaired, the Company estimates the future undiscounted cash flows to be derived from the asset to assess whether or not a potential impairment exists. If the carrying value exceeds our estimate of future undiscounted cash flows, we then calculate the impairment as the excess of the carrying value of the asset over our estimate of its fair market value.

Intangible Assets—In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets," which supersedes APB Opinion No. 17, "Intangible Assets." SFAS 142 eliminates the requirement to amortize goodwill and indefinite−lived intangible assets, requiring instead that those assets be measured for impairment at least annually, and more often when events indicate that an impairment exists. Intangible assets with finite lives will continue to be amortized over their useful lives. SFAS 142 applies to goodwill and intangible assets arising from transactions completed before and after the Statement's effective date. The Company has adopted this Standard as of January 1, 2002. In applying SFAS 142, the Company has performed the transitional reassessment and impairment tests required as of January 1, 2002, and determined that the goodwill and trademarks of the Company have indefinite lives and that there was no impairment on these assets. The Company discontinued amortizing these assets on January 1, 2002. At the time of adoption, the Company had accumulated amortization pertaining to goodwill of $10,303.

Below is the calculation of reported net income (loss) adjusted for the effect of amortization expense for the year ended December 31, 2001 (in thousands):

	Year ended December 31, 2001		
		Per Share Amount	
	Amount	Basic	Diluted
Reported net loss	$ (25,198)	$ (2.78)	$ (2.78)
Add back amortization of goodwill	696	0.08	0.08
Adjusted net loss	$ (24,502)	$ (2.70)	$ (2.70)

In December 2002, the Company reported an impairment of goodwill of $966 associated with International operations. The increase in intangible assets for the year ended December 31, 2003 is due to changes in foreign currency rates.

Revenue Recognition and Accounts Receivable Reserves—Revenues include sales and fees earned on sales by licensees and are recognized when title passes and the risks and rewards of ownership have passed to the customer, based on the terms of sale. Title passes generally upon shipment. Provisions for estimated sales returns, sales allowances and uncollectible accounts are made at the time of sale based on (i) the Company's estimate of the rate on which customers take discounts allowed and (ii) the Company's specific assessment of the collectability of all past due accounts.

Shipping Costs—Shipping and handling costs are charged to expense as incurred. Total shipping costs of $1,752, $1,170 and $1,336 are included in selling expenses for 2001, 2002 and 2003, respectively.

Income taxes—Deferred income taxes reflect the impact of temporary differences between the amounts of assets and liabilities recognized for financial reporting purposes and the amounts recognized for income tax purposes. These deferred income taxes are measured by applying currently enacted income tax rates. A valuation allowance reduces deferred income tax assets when it is more likely than not that some portion or all of the deferred income tax assets will not be realized.

Income (loss) per share—Basic income (loss) per share excludes dilution and is computed by dividing net income (loss) available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted income per share reflects the potential dilution that could occur if options to acquire common stock were exercised.

The following is a reconciliation of the number of shares (denominator) used in the basic and diluted income (loss) per share computations:

	2001		2002		2003	
	Shares	**Per Share Amount**	**Shares**	**Per Share Amount**	**Shares**	**Per Share Amount**
Basic loss per share	9,050	$ (2.78)	9,048	$ (0.34)	9,126	$ (0.01)
Effect of dilutive stock options	—	—	—	—	—	—
Diluted loss per share	9,050	$ (2.78)	9,048	$ (0.34)	9,126	$ (0.01)

The following options were not included in the computation of diluted income (loss) per share due to their antidilutive effect:

	2001	2002	2003
Options to purchase shares of common stock	1,092	917	1,894
Exercise prices	$3.05 − $13.75	$3.05 − $13.75	$3.16 − $13.75
Expiration dates	July 2006 − December 2011	July 2006 − May 2012	July 2006 − December 2013

Fair value of financial instruments—The carrying amount of cash, accounts receivable, accounts payable, accrued expenses and short−term borrowings approximates fair value because of the short maturity of these financial instruments. Long−term obligations are carried at amounts that approximate fair value. The estimated fair value of the long−term obligations is based on borrowing rates currently available to the Company for loans with similar terms and maturities.

Accounting for Stock−Based Compensation—Statement of Financial Accounting Standards No. 148, *"Accounting for Stock Based Compensation—Transition and Disclosure on Amendment of SFAS 123"*, encourages, but does not require, companies to record compensation cost for stock−based employee compensation plans at fair value. The Company has chosen to continue to account for stock−based compensation using the intrinsic value method prescribed in previously issued standards. Accordingly, compensation cost for stock options is measured as the excess, if any, of the quoted market price of the Company's stock at the date of grant over the amount an employee must pay to acquire the stock.

Compensation cost has not been significant for 2001, 2002 and 2003. In February 2003, the Company offered current employees and non−employee directors an opportunity to exchange their outstanding options granted under the 1996 Stock Plan. The tender offer expired on March 20, 2003. Pursuant to the offer, a total of 1,326,890 options were cancelled on March 20, 2003. On September 24, 2003, a total of 1,324,090 new options were exchanged for those cancelled in March 2003. Eligible option holders who participated in the "Offer to Exchange" were granted a new option for each old cancelled option. For each new option granted, the vesting status and vesting schedule of the old option was preserved. The weighted average fair value of the options issued in September 2003 was $1.91. The weighted average exercise price was $4.84. In accordance with the guidance of SFAS No. 148, the compensation on a proforma basis is recognized for each of the new options granted under the "Offer to Exchange" that is either fully or partially vested as of year end December 31, 2003.

Had compensation cost for the plan been determined based on the fair value of the options at the grant dates based on the above method, the Company's net loss and loss per share would have been:

	Net Loss	Net loss per share: Basic	Net loss per share: Diluted
2001			
As reported	$ (25,198)	$ (2.78)	$ (2.78)
Pro forma	$ (25,536)	$ (2.82)	$ (2.82)
2002			
As reported	$ (3,066)	$ (0.34)	$ (0.34)
Pro forma	$ (3,371)	$ (0.37)	$ (0.37)
2003			
As reported	$ (86)	$ (0.01)	$ (0.01)
Pro forma	$ (1,001)	$ (0.11)	$ (0.11)

Recent Accounting Pronouncements—In May 2003, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." SFAS No. 150 changes the classification in the statement of financial position of certain common financial instruments from either equity or mezzanine presentation to liabilities and requires an issuer of those financial statements to recognize changes in fair value or redemption amount, as applicable, in earnings. SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003 and is effective for the Company beginning July 1, 2003. The adoption of SFAS No. 150 did not have a material impact on the Company's results of operations or financial position.

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities—an interpretation of ARB No. 51" ("FIN 46"). FIN 46 requires that if an entity has a controlling financial interest in a variable interest entity, the assets, liabilities and results of activities of the variable interest entity should be included in the consolidated financial statements of the entity. FIN 46 requires that its provisions are effective immediately for all arrangements entered into after January 31, 2003. For those arrangements entered into prior to January 31, 2003, the FIN 46 provisions are required to be adopted at the end of the first interim or annual period ending after December 15, 2003. The adoption of FIN 46 did not have a material impact on the Company's results of operations or financial position.

In July 2002, the Financial Accounting Standards Board ("FASB") issued SFAS No.146, "Accounting for Costs Associated with Exit or Disposal Activities." This statement requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. Under previous guidance, a liability for an exit cost was recognized at the date of the commitment to an exit plan. The provisions of this statement will be applied prospectively, as applicable, and are effective for exit or disposal activities that are initiated after December 31, 2002. The Company applied the provisions of SFAS No. 146, on the 2003 restructuring charge discussed in Note H to the financial statements.

In November 2002 the FASB issued FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" ("FIN 45"). This interpretation elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under specified guarantees that it has issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The disclosure requirements in this interpretation were effective for financial statements of interim or annual periods ending after December 15, 2002. Additionally, the recognition of a guarantor's obligation should be applied on a prospective basis to guarantees issued after December 31, 2002. The adoption of FIN 45 did not have a material effect on the Company's financial position or results of operation.

Reclassifications—Certain prior period amounts have been reclassified for comparison with 2003 presentation.

NOTE C—INVENTORIES

Inventories are summarized as follows:

	2002	2003
Raw materials	$ 3,324	$ 2,895
Work−in−process	2,374	2,468
Finished goods	2,059	3,492
	$ 7,757	$ 8,855

NOTE D—PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows:

	2002	2003	Estimated useful lives
Machinery and equipment	$ 57,435	$ 58,719	3 − 10 years
Office furniture and equipment	2,978	3,145	3 − 7 years
Leasehold improvements	2,893	2,929	15 − 20 years
Building and building improvements	2,312	—	30 years
	65,618	64,793	
Less accumulated depreciation and amortization	(40,187)	(47,629)	
	$ 25,431	$ 17,164	

Included in machinery and equipment is $10,874 and $174 of equipment under capital lease at December 31, 2002 and 2003. Accumulated amortization of assets under capital lease totaled $7,208 and $51 at December 31, 2002 and 2003, respectively. Capital lease assets of $10,696 were re−classified to owned assets under machinery and equipment in 2003 as the associated purchase options were exercised. See Note G.

As a result of the restructuring activities in the third quarter of 2001 to reduce manufacturing costs, headcount and facilities, certain production equipment, tooling and leasehold improvements were idled or sold. An impairment review of these assets was conducted. In the third quarter of 2001, the Company adjusted the carrying value of this production equipment, tooling and leasehold improvements resulting in a non−cash impairment charge of $4,322. The 2001 impairment charge includes approximately $2,322 for equipment, production tooling and leasehold improvements in International operations and, $2,000 for production equipment and building improvements in the Americas.

As a result of the restructuring activities in the fourth quarter of 2002 to rationalize international operations and reduce manufacturing costs, certain production equipment, tooling and leasehold improvements were idled or sold. An impairment review of these assets was conducted. In the fourth quarter of 2002, the Company adjusted the carrying value of their production equipment and tooling and leasehold improvements, resulting in a non−cash impairment charge of $2,154. The 2002 impairment charge includes approximately $1,665 for equipment in the International operations and $489 for production tooling in the Americas.

In the fourth quarter of 2003, a plan was developed to close an additional manufacturing facility in the International operations by mid−year 2004. An impairment review of the assets located in the facility was conducted. In the fourth quarter of 2003, the Company adjusted the carrying value of production equipment, tooling and leasehold improvements resulting in a non cash impairment charge of $1,238 for equipment in International operations.

In January 2003, the Company entered into a sale of a facility in International operations located in Orpington, Kent, United Kingdom. The proceeds from the sale totaled $2,441 and resulted in a pretax loss of $110 which is included in general and administrative expense. Terms of the sale included a provision for the Company to lease back the facility for one year at no charge. Included in the proceeds was prepaid rent for one year which totaled $213. The resulting lease was accounted for as an operating lease in fiscal 2003.

NOTE E—ACCRUED EXPENSES

Accrued expenses consist of the following:

	2002	2003
Accrued vacation	$ 621	$ 841
Accrued bonus	260	229
Other	2,744	3,170
	$ 3,625	$ 4,240

NOTE F—LONG−TERM DEBT

Long−term debt consists of the following:

	2002	2003
Revolving credit facility with asset−based lender. Amounts borrowed under this facility bear interest at a variable rate based on either the lender's Base Rate or LIBOR. The weighted average interest rate under the revolving credit facility was 4.5% at December 31, 2002. There was no balance outstanding under the revolving line of credit at December 31, 2003.	$ 1,095	$ —
Term Loan with asset−based lender. Term Loan has a three year term and is repayable in equal quarterly payments based on a five year amortization schedule with a balloon payment at maturity. Amounts borrowed under this facility bear interest at a variable rate based on either the lender's Base Rate or LIBOR. The weighted average interest rate under the term loan was 3.84% and 3.02% at December 31, 2002 and 2003, respectively.	4,712	3,770
Automobile loan payable in monthly principal and interest installments of $1 through April, 2005. The note is non−interest bearing and is collateralized by the automobile.	22	12
	5,829	3,782
Less current maturities	952	952
	$ 4,877	$ 2,830

The Company had a senior credit facility with two banks through September, 2002. The outstanding balance bore interest, payable quarterly, at a variable rate of 2.5% over the administrative agent bank's base rate. The loan was collateralized by substantially all of the Company's assets and up to 65% of the capital stock of the Company's subsidiaries. In March 2002, the Company made a $3,000 principal payment. In addition, scheduled principal payments of $4,250 were made on March 31, 2002 and June 30, 2002. The remaining balance was repaid in September, 2002.

The Company entered into a three year Loan and Security Agreement with an asset−based lender on September 25, 2002. Maximum borrowings available under this facility total $25,000. The Agreement has a $1,000 sub−limit for letters of credit. As of December 31, 2003, outstanding letters of credit totaled $827. The Loan and Security Agreement contains various financial and operating covenants that impose limitations on the Company's ability, among other things, to incur additional indebtedness, merge or consolidate, sell assets except in the ordinary course of business, make certain investments, enter into leases and pay dividends. The Company is also required to comply with a fixed charge coverage ratio and other financial covenants. The Agreement requires the Company to maintain a lockbox. The lockbox receipts automatically reduce the outstanding balance of the revolving credit balance, if any. There was no balance outstanding under the revolving line of credit at December 31, 2003. The Company was in compliance as of December 31, 2003 with the covenants of the Loan and Security Agreement.

Long−term debt at December 31, 2003 is schedule to mature as follows:

Year	Amount
2004	$ 952
2005	2,830
Thereafter	—
	$ 3,782

NOTE G—CAPITAL LEASE OBLIGATIONS

The Company leases certain machinery and equipment under various agreements which are classified as capital leases. The leases expire on various dates through December 2006. Future minimum payments, by year, are as follows:

Year	Amount
2004	$ 65
2005	29
2006	53
	147
Less amount representing interest	23
	124
Less current maturities	57
	$ 67

NOTE H—RESTRUCTURING CHARGES

2001 Restructuring Charge

In the third quarter of 2001, the Company announced a restructuring plan in an effort to further reduce costs and align headcount and facilities with expected business levels. The additional restructuring charge totaled $2,999. The principal actions in the restructuring plan involve the closure of facilities and a reduction of headcount. The restructuring plan resulted in the elimination of 116 management, administrative, sales and manufacturing positions and was substantially completed by December 31, 2001. The major components of the 2001 restructuring charge are as follows:

Employee severance and related benefit costs	$ 935
Costs associated with vacated and sold facilities	1,959
Lease cancellations and other asset sales	105
	$ 2,999

Severance—The Company had a total reduction of 116 employees, approximately 20% of the total force. The reductions affected 85 employees in the International operations, consisting of factory direct labor, factory support, management, administrative and sales positions, 31 people in the Americas, consisting of management, administrative and sales positions.

Costs Associated with Vacated and Sold Facilities—The Company has accrued $1,959, consisting principally of the costs of the remaining payments on leased facilities to be vacated less anticipated future income from subleases. In the International operations, the manufacturing and distribution facility in Warrington, U.K. was closed. One half of the manufacturing and distribution facility in Sydney, Australia was vacated. In the Americas, warehouse space in a leased facility was vacated and a separate facility that the Company owned was sold as part of a sale and leaseback agreement in 2002.

Lease Cancellations and Other Asset Sales—The Company terminated various auto leases, office equipment leases, and software maintenance contracts, and sold vehicles that were no longer needed. The lease cancellations and vehicle sales resulted in costs of approximately $105.

2002 Restructuring Charge

In the fourth quarter of 2002, the Company announced a restructuring plan to rationalize International manufacturing operations. As part of the plan, various manufacturing operations in the International segment were either consolidated or outsourced. The management of all International operations was consolidated under the Managing Director, International. The restructuring charge totaled $1,228. The major components of the 2002 restructuring charge are as follows:

Employee severance and related benefit cost	$	163
Cost associated with vacated facilities		1,065
	$	1,228

Severance—The Company had a reduction of employees in the International operations. The reduction was associated with the reduced level of manufacturing operations in the International operation going forward.

Cost Associated with Vacated Facilities—The Company has accrued $1,065 consisting principally of the costs of the remaining payments on leased facilities vacated less anticipated future income from sublease. All of the facilities are located in the United Kingdom. The accrual represents additional amounts the Company anticipated to be incurred in addition to those originally accrued in the 2000 and 2001 restructuring. The additional accrual is necessary due to market conditions in the United Kingdom which have made it difficult to sublet the properties.

2003 Restructuring Charge

In the fourth quarter of 2003, the Company further evaluated International operations to improve profitability. A plan was developed to close a manufacturing facility in International operations by mid−year 2004. As part of the plan, there is a reduction in the number of employees in the International operations. The restructuring charge totaled $1,565. The major components of the 2003 restructuring charge are as follows:

Employee severance and related benefit cost	$	209
Cost associated with vacated facilities		1,356
	$	1,565

Severance—The Company had a reduction of 39 employees in the International operations as a result of the decision to consolidate manufacturing operations.

Cost Associated with Vacated Facilities—The Company has accrued $1,356 consisting principally of the costs to terminate an existing lease agreement and the costs of the remaining payments on a second vacated leased facility less anticipated future income from sublease. The facilities are located in the United Kingdom. The accrual represents additional amounts the Company anticipated to be incurred in addition to those originally accrued in the 2000, 2001 and 2002 restructurings. The additional accrual is necessary due to market conditions in the United Kingdom which have made it difficult to sublet the properties and terminate leases.

The restructuring charges were determined based on formal plans approved by the Company's management using the best information available to it at the time. The amounts the Company may ultimately incur could differ materially as the restructuring initiative is executed. The changes in the accrual for restructuring charges during 2001, 2002 and 2003 are summarized in the table below:

	Facilities	Workforce Reduction	Professional Services and Other Charges	Total
Restructuring accrual balance at January 1, 2001	$ 788	$ 535	$ —	$ 1,323
Charges to operations in twelve months ended December 31, 2001	1,959	935	105	2,999
Costs incurred in twelve months ended December 31, 2001	(403)	(1,394)	(105)	(1,902)
Restructuring accrual balance at December 31, 2001	2,344	76	—	2,420
Charges to operations in twelve months ended December 31, 2002	1,065	163	—	1,228
Costs incurred in twelve months December 31, 2002	(1,314)	(179)	—	(1,493)
Restructuring accrual balance at December 31, 2002	$ 2,095	$ 60	$ —	$ 2,155
Charges to operations in twelve months ended December 31, 2003	1,356	209	—	1,565
Costs incurred in twelve months ended December 31, 2003	(810)	(53)	—	(863)
Restructuring accrual balance at December 31, 2003	$ 2,641	$ 216	$ —	$ 2,857

NOTE I—GOODWILL IMPAIRMENT CHARGE

Pursuant to its policy, the Company reviews the carrying value of goodwill whenever events and circumstances indicate that the carrying value of a business may not be recoverable from the estimated future cash flow expected to result from its use and eventual disposition. As a result of the restructuring activities that reduce the level of foreign operations and the decision to exit certain product lines, an impairment review of goodwill was conducted. The goodwill impairment review included a valuation analysis of the relevant operations as a basis of measurement of the goodwill impairment charge. In the third quarter of 2001, the Company adjusted the carrying value of goodwill resulting in a non−cash impairment charge of $11,772. In the fourth quarter of 2002, the Company adjusted the carrying value of the goodwill in the Company's International operations resulting in a non−cash impairment charge of $966.

NOTE J—INCOME TAXES

The components of income tax expense (benefit) are as follows:

	2001	2002	2003
Current			
Federal	$ (4,941)	$ 347	$ 834
State	50	92	95
Foreign	393	105	32
	(4,498)	544	961
Deferred			
Federal	(2,172)	1,158	(594)
State	(1,316)	(857)	(155)
Foreign	(221)	892	—
	(3,709)	1,193	(749)
Total income tax expense (benefit)	$ (8,207)	$ 1,737	$ 212

The components of income (loss) before income tax expense were as follows:

	2001	2002	2003
United States	$ (7,985)	$ 5,146	$ 4,609
Foreign	(25,420)	(6,475)	(4,483)
	$ (33,405)	$ (1,329)	$ 126

A reconciliation from the U.S. Federal statutory income tax rate to the effective income tax rate for the years ended December 31, is as follows:

	2001	2002	2003
U.S. Federal statutory rate	(34)%	(34)%	(34)%
State income taxes, net of federal tax benefit	(5)	(5)	(5)
Tax settlement (Note N)	—	—	15
Research and development tax credit	—	—	(360)
Nondeductible expenses	1	1	61
Foreign operating losses with no benefit provided	11	164	398
Effect of subsidiaries taxes at other than the U.S. statutory rate	2	5	93
	(25)%	131%	168%

In 2003, the Company analyzed its research and development (R&D) activities for the years 2000, 2001, 2002 and 2003 and has changed its estimate of the R&D tax credit available to offset its federal income tax liability for the tax years 2000, 2001, 2002 and 2003. The change in the estimate had the effect of reducing income tax expense by approximately $454 in the year ended December 31, 2003, equivalent to $0.05 per basic and diluted share.

Significant components of the Company's deferred tax assets and liabilities are as follows:

	2002	2003
Assets		
Patents	$ 609	$ 498
Allowance for bad debts	209	105
Inventory capitalization	168	83
Vacation pay	266	360
Accrued liabilities and reserves	390	238
Deferred gain on sale leaseback	246	220
Restructuring charge	546	1,179
Impairment charge	4,424	4,551
State tax credits and loss carryforwards	684	734
Foreign tax credit and loss carryforwards	5,387	5,888
Valuation allowance	(5,387)	(5,888)
	7,542	7,968
Liabilities		
State taxes	756	794
Accelerated depreciation	1,382	1,021
	2,138	1,815
Net deferred tax asset	$ 5,404	$ 6,153

The classification of the net deferred tax asset between current and non−current is as follows:

	2002	2003
Net current assets	$ 1,037	$ 876
Net long−term asset	4,367	5,277
Net deferred tax asset	$ 5,404	$ 6,153

At December 31, 2003, the Company had approximately $19,229 of international operating loss carryforwards (primarily in the United Kingdom and Australia) with a potential tax benefit of $5,888. These loss carryforwards do not expire. The Company has recorded a 100% valuation allowance at December 31, 2002 and 2003 on the deferred tax asset relating to the foreign net operating loss carryforwards because of uncertainty regarding its realization. The ultimate realization of the remaining deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers projected future taxable income and tax planning strategies in making this assessment. Based on the historical domestic taxable income and projections for future taxable income over periods that the deferred assets are deductible, management believes it is more likely than not that the Company will realize the benefits of these deductible differences, net of valuation allowances as of December 31, 2003. The amount of the deferred tax assets considered realizable, however, could materially change in the near future if estimates of future taxable income during the carryforward period are changed.

NOTE K—STOCKHOLDERS' EQUITY

In July 1996, the Company adopted the 1996 Incentive Stock Plan (the 1996 Stock Plan), under which it was authorized to issue non−qualified stock options and incentive stock options to key employees, directors and consultants to purchase up to an aggregate of 750 shares of the Company's common stock. The options have a term of ten years and generally become fully vested by the end of the third year. In May 1999, the 1996 Stock Plan was amended to increase the authorized number of shares to 1,500.

In January, 2003, the Board of Directors approved an offer allowing current employees and non−employee directors to exchange all of their outstanding options granted under the 1996 Stock Plan for new options to be granted under the 2003 Stock Plan or any other stock option plan that may be adopted by the Company. The 2003 Incentive Stock Plan was approved at the Annual Meeting of Stockholders on April 25, 2003. The authorized shares under the 2003 Incentive Stock Plan are 3,100.

A total of 1,327 options to purchase shares of the Company were accepted for exchange and cancelled on March 20, 2003. On September 24, 2003, a total of 1,324 new options were exchanged for options cancelled in March, 2003.

Eligible option holders who participated in the offer received a new option on the new grant date in exchange for each old option that was validly tendered and accepted for exchange. The number of shares covered by each new option was equal to the number of shares covered by the old options, and the vested status and vesting schedule of the old options was preserved and continued. The exercise price of the new options was equal to the closing sale price of the Company's common stock as reported on the Nasdaq National Market on the grant date of the new options.

Plan transactions are as follows:

	2001		2002		2003	
	Shares	**Weighted average exercise price**	**Shares**	**Weighted average exercise price**	**Shares**	**Weighted average exercise price**
Options outstanding January 1,	849	$ 11.30	1,092	$ 9.78	917	$ 10.24
Granted	274	5.20	28	4.09	2,336	4.71
Exercised	—	—	(100)	3.22	(3)	3.28
Cancelled	(31)	11.86	(103)	10.47	(1,356)	8.12
Options outstanding December 31,	1,092	$ 9.78	917	$ 10.24	1,894	$ 4.95
Options available for grant at December 31,	376		451		2,571	

Weighted average fair values of options granted during the years are as follows:

	2001	2002	2003
Exercise price is below market price at date of grant	—	—	—
Exercise price equals market price at date of grant	$ 2.30	$ 4.09	$ 4.71

The following information applies to options outstanding at December 31, 2003:

Range of exercise prices	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price
$3.16 − $3.60	61	8	$ 3.33
$4.15 − $4.86	1,736	10	4.70
$6.50 − $13.75	97	6	10.42
	1,894	10	$ 4.95

At December 31, 2003, 815 of the 1,894 options outstanding are exercisable by the optionee.

At December 31, 2002, 746 of the 917 options outstanding were exercisable by the optionee.

The fair value of options at date of grant was estimated using the Black−Scholes model with the following weighted average assumptions:

	2001	2002	2003
Expected life (years)	5 years	5 years	5 years
Risk−free interest rate	5.5%	3.0%	3.0%
Expected volatility	40%	40%	40%
Expected dividend yield	—	—	—

NOTE L—RETIREMENT PLAN

The Company established a retirement plan in accordance with section 401(k) of the Internal Revenue Code. Under the terms of this plan, eligible employees may make voluntary contributions to the extent allowable by law. Employees of the Company are eligible after 90 days of employment. Matching contributions by the Company to this plan are discretionary and will not exceed that allowable for Federal income tax purposes. The Company's contributions are vested over five years in equal increments. The accompanying statements of operations include contribution expense of $125, $0 and $134 for the years ended December 31, 2001, 2002 and 2003, respectively.

NOTE M—RELATED PARTY TRANSACTIONS

The Company leases two of its three facilities in Temecula, California from the Company's principal stockholder and Chairman of the Board. The leases provide for payments of insurance, repairs, maintenance and property taxes, and extend through 2005. The Company has two five−year renewal options to extend the terms of both leases to 2015. Rent expense paid under the leases was $1,169, $1,253 and $1,284 for the years ended December 31, 2001, 2002 and 2003, respectively. As a part of the restructuring plan announced in the third quarter of 2001, the Company has vacated warehouse space in one of the facilities. The Company has periodically sublet the vacated warehouse space as market conditions permit.

In 1997, the Company guaranteed debt of the Company's principal stockholder and Chairman of the Board of approximately $754. The guaranteed debt was incurred in connection with construction of the facilities leased to the Company and is collateralized by said facilities. The loan amount subject to the unsecured guarantee is expected to decline before expiring in 2017. It is not practicable to estimate the fair value of the guarantee; however, the Company does not anticipate that it will incur losses as a result of this guarantee. The Company has not recorded a liability for this guarantee. If the principal stockholder were to default on the outstanding loan balance, the Company may be required to repay the remaining principal balance. The maximum potential amount the Company would be required to pay is equal to the outstanding principal and interest balance of the loan to the stockholder. At December 31, 2003, the outstanding loan balance subject to the guarantee totaled $613.

In January, 2001, the Company guaranteed personal debt of William H. Channell, Jr., the Company's President and Chief Operating Officer of $650. The guarantee was terminated in March 2002. In connection with this guarantee, William H. Channell, Jr. paid the Company a fee equal to 1% of the loan balance and provided as collateral to the Company 300,000 shares of Company stock.

The Company purchased insurance through Talbot Agency Inc. in 2001, 2002, and 2003. Roy H. Taylor, President of Talbot Agency Inc. is a co−trustee of the Taylor Family Trust, a beneficial owner of more than 5% of the Company's outstanding stock. The total premiums and fees paid for insurance obtained through the Talbot Agency for the years ended December 31, 2001, 2002 and 2003 was $1,265, $253 and $45 respectively, which included commissions earned.

In May, 2002 the Company sold its RF line of passive electronic devices to RMS Communications, Inc., which is owned by Gary Napolitano, a former officer of the Company. A sale in the amount of $800 was recorded. RMS Communications, Inc. paid the Company $125 in cash at the time of sale, and the remaining $675 is payable in monthly installments through June 30, 2003, bearing interest at 7% per annum. The amount due from RMS Communications, Inc. included in accounts receivable at December 31, 2003 is $337. The account is currently in arrears. The Company has security interest in the inventory and a personal guarantee from Mr. Napolitano and believes the amount will be paid in full.

In 2003, the Company paid $73 to Carolyn Channell for consulting services. Mrs. Channell is the wife of William H. Channell, Jr., the Company's President and Chief Executive Officer. Mrs. Channell consults on insurance coverage matters for the Company.

NOTE N—COMMITMENTS AND CONTINGENCIES

Leases—The Company leases manufacturing and office space and machinery & equipment under several operating leases expiring through 2012. Rent expense under all operating leases amounted to $2,188, $2,665 and 3,061 for the years ended December 31, 2001, 2002 and 2003, respectively. Total future minimum rental payments under noncancellable operating leases as of December 31, 2003, including the operating leases with the related party discussed in Note M and the vacated facilities discussed in Note H, are as follows:

Year	Amount
2004	$ 2,535
2005	2,410
2006	1,067
2007	1,044
2008	1,061
Thereafter	3,000
	$ 11,117

In addition to these minimum rental commitments, certain of these operating leases provide for payments of insurance, repairs and maintenance and property taxes.

In June, 2002, the Company entered into a sale and leaseback agreement for a warehouse facility located in Temecula, California. The proceeds from the sale totaled approximately $6,200 and resulted in a pretax deferred gain of $604. The resulting lease is being accounted for as an operating lease. The lease base term is ten years with two five−year options at rental amounts to be adjusted to the fair market rental value at the end of the base term. A portion of the proceeds from the sale was used to pay the outstanding mortgage balance on the facility of $4,036. In fiscal 2002, the Company recorded income of $30 related to the amortization of the deferred gain leaving an unamortized balance of $574 at December 31, 2002. In 2003, the Company recorded income of $61 related to the amortization of the deferred gain leaving an unamortized balance is $513 at December 31, 2003.

Employment Agreements—The Company in December, 2003 entered into a five year employment agreement, renewable every five years, with William H. Channell, Jr. Mr. Channell, Jr.'s annual salary is $718,320 (subject to an annual cost of living adjustment). Mr. Channell, Jr. is entitled to participate in the Stock Plan, the 401(k) Plan and the Incentive Compensation Plan. Mr. Channell, Jr. is also entitled to certain other benefits paid for by the Company, including an automobile allowance, health insurance and sick leave, in accordance with the Company's customary practices for senior executive officers. In the event that the Company were to terminate Mr. Channell, Jr. without cause (as defined in the agreement), or Mr. Channell, Jr. were to terminate his employment for good reason (also as defined in the agreement and including, without limitation, a change of control of the Company), then Mr. Channell, Jr. would be entitled to a lump sum payment equal to three times his then current base salary, all health and life insurance benefits for three years, and accelerated vesting of any stock options or restricted stock granted to him.

The Company amended in December, 2003 the employment agreement with Mr. Channell, Sr. originally entered into in July, 1996. Mr. Channell, Sr.'s annual salary starting in December, 2003 is $50,000. Mr. Channell, Sr.'s benefits include (i) during the term of the agreement, the payment of premiums for a term disability policy providing for $250,000 in annual benefits in the case of his temporary or permanent disability, (ii) during the lifetime of Mr. Channell, Sr. and his wife, Jacqueline M. Channell, medical insurance for each of Mr. and Mrs. Channell comparable to that provided to the Company's senior executive officers, (iii) during Mr. Channell, Sr.'s lifetime, a portion of the premiums on a $1,500,000 life insurance policy owned by Mr. Channell, Sr., under which Mrs. Channell is the beneficiary, and (iv) an automobile allowance.

Taxes—The Federal income taxes of the Company for the years ended December 31, 1997, 1998, 2000, and 2001 are currently under examination by the Internal Revenue Service (IRS). In July 2002, the IRS issued the proposed result of their examination for the years ended December 31, 1997 and 1998, which increases the 1997 income tax amount due by $315 related to transfer pricing for sales to the Company's Canadian subsidiary. In November 2003, The IRS agreed to reduce the transfer pricing assessment for the 1997 and 1998 tax years to $19 which was accrued at December 31, 2003. Management believes that the ultimate outcome of IRS audits for the years ended 2000 and 2001 will not have a material adverse impact on the Company's consolidated results of operations or financial position.

In 2001, the State of Texas issued a report assessing the Company additional sales and use tax of $1,600, including interest. The Company has appealed the assessment and is currently providing the State of Texas with documentation to support the Company's contention that the transactions did not require the Company to remit sales and use tax to the State of Texas. The State of Texas has agreed to a reduction of the amount owed to $600. The Company has paid the State of Texas $400. The Company believes that it has meritorious defenses to the remaining claim of $200 and intends to vigorously defend its position. The Company believes that the ultimate outcome of this examination will not result in a material impact on the Company's consolidated results of operations or financial position.

NOTE O—CREDIT CONCENTRATIONS AND MAJOR CUSTOMERS

The Company maintains cash balances in financial institutions located in the United States, Canada, Australia and the United Kingdom. Cash balances held in financial institutions in the U.K. totaled $894 and $343 at December 31, 2002 and 2003, respectively. Cash balances held in financial institutions in Australia. totaled $863 and $2,539 at December 31, 2002 and 2003, respectively. Cash balances held in financial institutions in Canada was not significant at December 31, 2002 and 2003. Cash balances held in financial institutions located in the United States may, at times, exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

The telecommunications industry is concentrated, with relatively few customers accounting for a large percentage of the Company's available market. Consequently, the Company's five largest customers (by sales volume) accounted for 44.1%, 57.2% and 57.7% of the Company's total net sales in 2001, 2002 and 2003, respectively. Time Warner accounted for 11.2% of the Company's total net sales in 2001. Comcast accounted for 28% of the Company's net sales in 2002. Comcast and Verizon accounted for 27.1% and 10.5%, respectively, of the Company's net sales in 2003. Mergers and acquisitions in the telecommunications industry are not only increasing the concentration of the industry and of the Company's customer base, but also from time to time delay customers' capital expenditures as newly merged services providers consolidate their operations. The Company generally extends credit to these customers. Its exposure to credit risk is affected by conditions in the telecommunications industry. The Company controls credit risk through credit approvals, credit limits and monitoring procedures but does not generally require collateral. The Company experienced significant credit loss in 2002 due to bankruptcy declared by one of the Company's major broadband customers.

NOTE P—SEGMENT AND GEOGRAPHIC INFORMATION

The Company's predominant business is the manufacturing and distribution of telecommunications equipment. As a result of rationalizing and streamlining International operations, the Company changed its segment reporting in 2003. There are now two segments: Americas and International. Americas includes the United States, Central and South America and Canada. International includes

Europe, Africa, Middle East, Australia and Asia. Some of the previous reporting segments have been combined due to their reduced size as a result of the general downturn in the telecommunications industry, the rationalization of various product lines within the former segments and changes in the management structure of the Company. The new reporting segments reflect current management structure and the reporting used internally by executive management. The following tables summarize segment information:

	2001	2002	2003
Revenues from unrelated entities(1):			
Americas(2)	$ 70,167	$ 69,963	$ 64,793
International	18,531	14,822	11,744
	$ 88,698	$ 84,785	$ 76,537
Income (loss) from operations:			
Americas	$ (4,002)	$ 6,995	$ 4,570
International	(25,529)	(6,325)	(3,873)
	$ (29,531)	$ 670	$ 697
Interest income:			
Americas	$ 72	$ 89	$ 18
International	—	—	104
	$ 72	$ 89	$ 122
Interest expense:			
Americas	$ 3,639	$ 1,663	$ 111
International	307	425	582
	$ 3,946	$ 2,088	$ 693
Income tax expense (benefit):			
Americas	$ (6,780)	$ 1,737	$ 214
International	(1,427)	—	(2)
	$ (8,207)	$ 1,737	$ 212
Identifiable assets:			
Americas	$ 62,334	$ 40,060	$ 40,949
International(3)(4)	23,428	14,103	13,016
	$ 85,762	$ 54,163	$ 53,965
Depreciation and amortization:			
Americas	$ 6,783	$ 6,011	$ 4,958
International	1,774	1,774	1,274
	$ 8,557	$ 7,785	$ 6,232

Capital expenditures:			
Americas	$ 1,862	$ 1,346	$ 790
International	1,291	540	413
	$ 3,153	$ 1,886	$ 1,203

(1) Inter−geographic revenues were not significant. Revenues from external customers from any individual foreign country did not exceed 10% of total revenue.

(2) Includes export sales from the United States of approximately $1,175, $1,476 and $611 in 2001, 2002 and 2003, respectively.

(3) Includes long−lived assets in the United Kingdom of $7,703, $5,582 and $2,520 in 2001, 2002 and 2003, respectively.

(4) Includes long−lived assets in Australia of $4,231, $2,581 and $2,419 in 2001, 2002 and 2003, respectively.

The Company had revenues from external customers from the following product lines:

	2001	2002	2003
Enclosures	$ 68,994	$ 65,748	$ 60,308
Connectivity	13,499	10,525	8,169
Other	6,205	8,512	8,060
Total	$ 88,698	$ 84,785	$ 76,537

NOTE Q—QUARTERLY FINANCIAL DATA (Unaudited)

Summarized quarterly financial data for 2001, 2002 and 2003 follows:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2001				
Net sales	$ 21,967	$ 25,762	$ 22,336	$ 18,633
Gross profit	6,512	8,383	(1,700)	5,611
Net income (loss)(1)	(1,271)	352	(23,909)	(370)
Income (loss) per share(1)				
Basic	(0.14)	0.04	(2.64)	(0.04)
Diluted	(0.14)	0.04	(2.64)	(0.04)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2002				
Net sales	$ 19,841	$ 25,823	$ 19,401	$ 19,720
Gross profit	6,482	9,988	5,435	5,430
Net income (loss)(2)	496	820	150	(4,532)
Income (loss) per share(2)				
Basic	0.05	0.09	0.02	(0.50)
Diluted	0.05	0.09	0.02	(0.50)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2003				
Net sales	$ 16,218	$ 20,285	$ 19,434	$ 20,600
Gross profit	4,482	6,449	5,515	6,131
Net income (loss)(3)	(288)	1,068	535	(1,401)
Income (loss) per share(3)				
Basic	(0.03)	0.12	0.06	(0.15)
Diluted	(0.03)	0.12	0.06	(0.15)

(1) In the third quarter of 2001, the Company recorded a restructuring charge of $2,999 (see Note H). During the third quarter of 2001, the Company also recorded a charge for the impairment of goodwill of $11,772 (see Note I) and a charge for impairment of fixed assets of $4,322 (see Note D).

(2) In the fourth quarter of 2002, the Company recorded a restructuring charge of $1,228 (see Note H). The Company also recorded asset impairment charges totaling $1,665 (see Note D), a charge for production tooling of $489 (see Note D), and a charge for goodwill impairment totaling $966 (see Note I).

(3) In the fourth quarter of 2003, the Company recorded a restructuring charge of $1,565 (see Note H). The Company also recorded asset impairment charges totaling $1,238 (see Note D).

CHANNELL COMMERCIAL CORPORATION

SCHEDULE II

VALUATION AND QUALIFYING ACCOUNTS

(Amounts in thousands)

Column A		Column B	Column C		Column D	Column E
			Additions			
		Balance at Beginning of Period	Charged to Cost and Expenses	Charged to Other Accounts	Write−offs and Deductions, Net	Balance at End of Period
Accounts receivables reserves	(2003)	$ 623	$ (232)	$ —	$ (35)	$ 356
	(2002)	102	2,065	—	(1,544)	623
	(2001)	104	1,751	—	(1,753)	102
Inventory valuation reserve	(2003)	$ 340	569	$ —	$ 73	$ 836
	(2002)	38	302	—	—	340
	(2001)	20	8,500	—	(8,482)	38

GLOSSARY OF TERMS

ADSL (Asymmetric Digital Subscriber Line): A standard allowing digital broadband signals and standard telephone service to be transmitted up to 12,000 feet over a twisted copper pair.

Broadband: Transmission rates in excess of 1.544 mega bits per second typically deployed for delivery of high−speed data, video and voice services. Also, a system for distributing television programming by a cable network rather than by broadcasting electromagnetic radiation.

Cable Modem: Electronic transmission device placed on the broadband network, located at end user locations, providing two−way, high−speed data service capability, including internet access for subscribers.

Coaxial Cable: The most commonly used means of transmitting cable television signals. It consists of a cylindrical outer conductor (shield) surrounding a center conductor held concentrically in place by an insulating material.

DLC (Digital Loop Carrier): Telecommunications transmission technology which multiplexes multiple individual voice circuits onto copper or fiber cables.

DSL (Digital Subscriber Line): Generic descriptor covering various versions of DSL services delivered over copper wires. Included are HDSL and ADSL services.

Fiber Node: Refers to the equipment that terminates the fiber cables originating from the host digital terminal. This network element converts the optical signals to their coax electrical, RF equivalents. Synonymous with optical network interface (ONI).

Fiber Optics: The process of transmitting infrared and visible light frequencies through a low−loss glass fiber with a transmitting laser or LED and a photo diode receiver.

FTTC (Fiber−To−The−Curb): In a long distance network consisting of fiber optics, fiber−to−the−curb refers to the fiber optics running from the distribution plant to the curb, at which point copper is used for the curb−to−home connection.

HDSL (High bit rate Digital Subscriber Line): By using sophisticated coding techniques, a large amount of information may be transmitted over copper. The HDSL scheme uses such coding over four copper wires and is primarily intended for high capacity bi−directional business services.

Headend: The primary transmission point in a cable system supplying the hubs and trunk cables.

HFC (Hybrid Fiber Coax): A type of distribution plant that utilizes fiber optics to carry service from a CO to the carrier serving area, then coaxial cable within the CSA to or close to the individual residences.

ONU (Optical Network Unit): The curb mounted electronics device which converts fiber optic signals to electrical for service delivery or copper wires.

PCS (Personal Communications Services): Any service offered on a personal communications network. These include basic telephone, voice mail, paging and others. Personal communications networks operate in the 1800−2000 mHz range, utilizing low power cells compared to traditional cellular technology.

RBOC (Regional Bell Operating Company): A term for the regional holding companies created when AT&T divested the Bell operating companies.

RF (Radio Frequency): An electromagnetic wave frequency intermediate between audio frequencies and infrared frequencies used especially in wireless telecommunications and broadband transmission.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Form 10−K Annual Report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Temecula, State of California, on March 4, 2004.

CHANNELL COMMERCIAL CORPORATION
a Delaware corporation

By /s/ WILLIAM H. CHANNELL, SR.

William H. Channell, Sr.
Chairman of the Board

Pursuant to the requirements of the Securities Exchange Act of 1934, this Form 10−K Annual Report has been signed by the following persons in the capacities indicated below as of March 4, 2004.

Signature	Capacity in Which Signed
/s/ WILLIAM H. CHANNELL, SR William H. Channell, Sr.	Chairman of the Board and Director
/s/ WILLIAM H. CHANNELL, JR William H. Channell, Jr.	President and Chief Executive Officer and Director
/s/ JACQUELINE M. CHANNELL Jacqueline M. Channell	Secretary and Director
/s/ BRUCE GLIDDEN Bruce Glidden	Director
/s/ GUY MARGE Guy Marge	Director
/s/ DANA BRENNER Dana Brenner	Director
/s/ THOMAS LIGUORI Thomas Liguori	Chief Financial Officer

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Exhibit 10.19

AMENDMENT TO EMPLOYMENT AGREEMENT

This AMENDMENT TO EMPLOYMENT AGREEMENT (this "**Amendment**"), dated as of December 9, 2003, is made and entered into by and between William H. Channell, Sr. (the "**Executive**") and Channell Commercial Corporation, a Delaware corporation (the "**Company**"). All capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Employment Agreement (as hereinafter defined).

RECITALS

WHEREAS, the Company and the Executive previously entered into an Employment Agreement, dated as of July 8, 1996 (the "**Employment Agreement**");

WHEREAS, the parties wish to amend certain provisions of the Employment Agreement;

WHEREAS, *Section 8.7* of the Employment Agreement provides that it may be amended by an instrument in writing, approved by the Company and signed by the Executive;

NOW, THEREFORE, in consideration of the mutual promises hereinafter set forth and other good and valuable consideration, the receipt of which hereby is acknowledged, the undersigned parties hereby agree as follows:

ARTICLE I—AMENDMENT

The Employment Agreement hereby is amended as set forth in this Article I, effective as of the date first set forth above.

1.1 *Section 1* of the Employment Agreement hereby is amended to read in its entirety as follows:

> The Company hereby agrees to employ Executive and Executive hereby accepts employment with the Company under the terms and conditions set forth in this Agreement. The parties agree that Executive is retiring as the Chief Executive Officer of the Company, but will remain its Chairman of the Board. The parties agree that Executive will perform such tasks and undertake such projects as are consistent with Executive's status as the Chairman of the Board and retired Chief Executive Officer of the Company. Such tasks and projects will be developed by the Board of Directors or the Chief Executive Officer of the Company in consultation with Executive.

1.2 Executive Base Salary is hereby set at Fifty Thousand Dollars ($50,000.00) per Term Year, for the balance of the Employment Term. The last sentence of *Section 3*.1 of the Employment Agreement and *Section 3*.2 of the Employment Agreement are hereby deleted.

1.3 The last sentence of *Section 4.3* of the Employment Agreement hereby is amended to read in its entirety as follows:

> In addition, the Company shall provide Spouse, for the remainder of Spouse's life, with Company−paid medical insurance to the same extent such insurance is made generally available to its senior executive officers.

1.4 *Section 4.4* of the Employment Agreement is hereby deleted. The automobile allowance specified in *Section 4.5* of the Employment Agreement is hereby reduced to $750.00 per calendar month. *Section 4.6* of the Employment Agreement is hereby deleted.

ARTICLE II—MISCELLANEOUS

2.1 *Effect of Amendment*. Except as expressly modified by this Amendment, the Employment Agreement shall continue to be and remain in full force and effect in accordance with its terms. Any future reference to the Employment Agreement shall be deemed to be a reference to the Employment Agreement as modified by this Amendment. The parties acknowledge that all of the provisions of the Employment Agreement, except as expressly provided herein, shall remain in full force and effect in accordance with their terms.

2.2 *Counterparts*. This Amendment may be executed in several counterparts, each of which will be deemed to be an original, but all of which together shall constitute one and the same agreement.

2.3 *Representation of Counsel; Mutual Negotiation*. Each party has had the opportunity to be represented by counsel of its choice in negotiating this Amendment. This Amendment shall therefore be deemed to have been negotiated and prepared at the joint request, direction and construction of the parties, at arm's−length, with the advice and participation of counsel, and shall be interpreted in accordance with its terms without favor to any party.

[SIGNATURE PAGE TO AMENDMENT]

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date and year first above written.

CHANNELL COMMERCIAL CORPORATION

By: /s/ WILLIAM H. CHANNELL, JR.

Name: William H. Channell, Jr.
Title: Chief Executive Officer

EXECUTIVE

/s/ WILLIAM H. CHANNELL, SR.

William H. Channell, Sr.

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Exhibit 10.19

Exhibit 10.20

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "**Agreement**") is entered into as of December 9, 2003, between Channell Commercial Corporation, a Delaware corporation (the "**Company**"), and William H. Channell, Jr. ("**Executive**") with reference to the following facts:

A. WHEREAS, Executive is currently serving as the Company's President and Chief Operating Officer;

B. WHEREAS, the Company has appointed Executive to the position of Chief Executive Officer, and the Company and Executive wish to set forth this Agreement to set forth the terms upon which Executive shall serve as the President and Chief Executive Officer of the Company;

C. WHEREAS, the Company regards Executive as valuable to it, and has determined that it would be to the advantage of the Company to provide an inducement to Executive to remain in the Company's service and an incentive for increased efforts;

D. Based on these facts, Executive and the Company wish to enter into this Agreement providing for the continued employment of Executive on the terms set forth herein, which Agreement shall amend, restate and supersede the existing Employment Agreement dated as of July 8, 1996 between Executive and the Company, as such Employment Agreement was previously amended, effective as of the first date written above.

NOW THEREFORE, based on the mutual covenants contained herein, the parties agree as follows:

1. ***Employment and Duties***. The Company hereby agrees to employ Executive and Executive hereby accepts employment with the Company under the terms and conditions set forth in this Agreement. Executive shall be employed as President and Chief Executive Officer, with the duties and responsibilities commensurate with his position as may be assigned by the Board of Directors of the Company. Executive shall devote substantially all of his full working time, attention and energies to performing his duties for the Company on an exclusive basis (except for a limited amount of time devoted to personal financial matters and community activities), and shall perform his duties faithfully and to the best of his abilities.

2. ***Term of Employment***. Subject to earlier termination as provided in Section 5 and to automatic renewal for additional five−year terms, as provided in this Section, Executive's employment under this Agreement shall commence on the date first stated above and continue until the fifth anniversary of such date (the "**Employment Term**"; each year during the "**Employment Term**" a "**Term Year**"). In the event that Executive continues to be employed by the Company following the Employment Term, that employment shall be governed by this Agreement and shall continue for successive five−year terms until terminated by either party (in the case of any termination by the Company, provided that the Company has given Executive at least six months' prior written notice that the Board of Directors (or its duly authorized committee) has elected not to continue the Employment Term following the expiration of the then current Term Year).

3. ***Compensation***. As compensation for the performance by Executive of all of his obligations under this Agreement, the Company shall pay to Executive:

3.1 ***Base Salary***. A base salary during the Employment Term, at a rate of Seven Hundred Eighteen Thousand Three Hundred Twenty Dollars ($718,320) per Term Year, payable in accordance with the Company's normal practices for its senior executive officers (the "**Base Salary**"). The Base Salary may be increased from time to time in the discretion of the Company's Board of Directors (the "**Board**") (or its duly authorized committee) to ensure, among other things, that the Base Salary remains comparable to base salaries paid to comparably situated executives at other public companies. In addition, the Base Salary shall be adjusted annually

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commencing on July 1, 2004, to reflect the most recently published annualized percentage increase in the Consumer Price Index of the Bureau of Labor Statistics of the United States Department of Labor for the Los Angeles area (provided, that the first Base Salary adjustment, effective July 1, 2004, shall reflect the change in the Index from January 1, 2003). The Base Salary shall not be decreased during the term of this Agreement.

3.2 ***Incentive Compensation***. In addition to Base Salary, Executive will be entitled to participate in cash and other bonus programs of the Company, including, to the extent provided by the committee of the Board administering such plan, the Company's 1996 Performance Based Annual Incentive Compensation Plan. In particular, Executive shall be entitled to earn bonuses under three plans or programs, including: (i) up to $200,000 per Term Year based upon achievement of goals and objectives established by the Board (or its duly authorized committee); (ii) up to $210,000 per Term Year based upon growth in revenue and/or fully diluted earnings per share, with the metrics to be established by the Board (or its duly authorized committee) annually; *provided*, that in the event of unusual industry or Company−specific events or circumstances, the Board (or its duly authorized committee) may employ alternative metrics that more appropriately incentivize Executive; and (iii) a Long Term Incentive Plan ("**LTIP**") providing Executive with bonuses based upon growth in the Company's market capitalization annually as well as over a three−year period commencing January 1, 2004. The LTIP will be memorialized in a separate agreement between Executive and the Company, which will include terms substantially in accordance with *Exhibit A* attached hereto.

4. ***Benefits***.

4.1 ***Expenses***. The Company shall repay or reimburse Executive for ordinary and necessary business expenses to the extent compatible with the Company's general policies for its senior executive officers. Executive shall keep accurate and complete records of all such expenses.

4.2 ***Insurance Benefits***. During the Employment Term, the Company shall provide Executive with those insurance benefits generally available to its senior executive officers, as such benefits may be modified from time to time in the Company's sole and absolute discretion.

4.3 ***Vacation and Sick Leave***. During the Employment Term, Executive shall be entitled to a paid annual vacation in accordance with the policies established from time to time by the Company for its senior executive officers; provided, however, that Executive shall be entitled to no less than six weeks paid annual vacation per Term Year. Without the Company's written consent, vacation must be taken in the year earned and Executive's vacation will be scheduled at times convenient to the Company's business. Executive shall be entitled to paid sick days and personal days in accordance with the policies established from time to time by the Company for its senior executive officers.

4.4 ***Automobile Allowance***. During the Employment Term, the Company shall provide Executive with an automobile allowance in the amount of eighteen hundred dollars ($1800.00) per calendar month, payable in accordance with the policies established from time to time by the Company for its senior executive officers. The Company shall secure, at its expense, automobile insurance for one automobile of Executive, such insurance of a type and in an amount and form satisfactory to the Company. The Company agrees to provide evidence of such insurance and to promptly notify Executive if such insurance is cancelled, suspended, expired or otherwise impaired.

4.5 ***Incentive Stock Plans***. Executive shall be eligible to participate in the Company's incentive stock plan(s) to the extent determined by the Board or its duly authorized committee in its sole discretion. The determination of award(s) under such stock plans shall be made by the Board or such duly authorized committee from time to time in its sole discretion. The Company and Executive currently anticipate an award to Executive of at least 50,000 options to purchase common stock of the Company per year; *provided*, that the final determination of award(s) under incentive stock plans shall be made by the Board or its duly authorized committee from time to time in its sole discretion. Notwithstanding anything to the contrary in any stock option agreement evidencing any stock option grant to the Executive, in the event of Executive's death while employed by the Company, all stock options held by Executive at the time of his death shall accelerate and become immediately exercisable in full.

5. ***Termination of Employment***.

5.1 ***Termination***. The Company may terminate Executive's employment with the Company at any time with or without "Cause" by written notice to Executive. Executive may terminate Executive's employment with the Company at any time with or without "Good Reason" by written notice to the Company. "Cause" exists if any one or more of the following should occur, as determined reasonably in good faith by the Board: Executive's (a) willful and repeated failure to perform his duties under, or breach of, this Agreement, which failure results in a material detriment to the Company, after at least 10 days advance written notice and opportunity to cure; (b) willful and repeated failure to comply with a reasonable direction of the Board, which failure results in a material detriment to the Company, after at least 10 days advance written notice and opportunity to cure; (c) willful and material breach of his fiduciary duty to the Company (it being agreed that the Company will provide written notice to Executive of any act or omission deemed by the Board to constitute such a breach, such notice to be provided approximately contemporaneously with the Board becoming aware of such act or omission); or (d) conviction by a court of competent jurisdiction of a felony or other serious crime. "Good Reason" shall mean (i) a significant reduction of Executive's duties, title, position or responsibilities relative to Executive's duties, title, position or responsibilities in effect immediately prior to such reduction that is effected without Executive's consent or agreement; (ii) a substantial reduction, without good business reasons, of the quality of the office accommodations or employment benefits (including, without limitation, elimination or reduction of any of the benefit plans, or Executive's eligibility for participation in them, referred to in Section 3.2 hereof, unless replaced with a plan or participation criteria providing for equal or superior benefits) available to Executive immediately prior to such reduction if such reduction is effected without Executive's consent or agreement; (iii) a reduction of Executive's Base Salary or a material reduction in Executive's participation in incentive bonus programs as in effect immediately prior to such reduction (for the avoidance of doubt, failure by the Company to grant Executive stock options as referenced in Section 4.5 hereof shall not constitute such a reduction, it being understood that the Board or its duly authorized committee retains sole discretion whether to grant such options) if such reduction is effected without Executive's consent or agreement; (iv) the relocation of Executive's primary office at the Company to a facility or location that is more than fifty (50) miles away from Executive's primary office location immediately prior to such relocation, if such relocation is effected without Executive's consent or agreement; or (v) a Change of Control.

"**Change of Control**" of the Company shall mean the occurrence of any of the following:

(a) Any person or group, as such terms are defined in Section 13(d) of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), other than the Channell Family Trust, William H. Channell, Sr., Jacqueline M. Channell, William H. Channell, Jr. and/or any affiliate thereof, becomes the beneficial owner (within the meaning of Rule 13d−3 under the Exchange Act), directly or indirectly, of securities of the Company, or of any entity resulting from a merger or consolidation involving the Company, representing more than 50% of the combined voting power in the election of directors of the then outstanding securities of the Company or such entity;

(b) The individuals who, as of the time immediately following the execution of this Agreement, are members of the Board (the "**Existing Directors**"), cease, for any reason, to constitute more than 50% of the number of authorized directors of the Company as determined in the manner prescribed in the Company's charter documents; *provided, however*, that if the election, or nomination for election, by the Company's stockholders of any new director was approved by a vote of at least 50% of the Existing Directors, such new director shall be considered an Existing Director; provided, further, that no individual shall be considered an Existing Director if such individual initially assumed office as a result of either an actual or threatened "**Election Contest**" (as described in Rule 14a−11 promulgated under the Exchange Act) or other actual or threatened solicitation of proxies by or on behalf of anyone other than the Board (a "**Proxy Contest**"), including by reason of any agreement intended to avoid or settle any Election Contest or Proxy Contest; or

(c) The consummation of (x) a merger, consolidation or reorganization to which the Company is a party, whether or not the Company is the Person surviving or resulting therefrom, or (y) a sale, assignment, lease, conveyance or other disposition of all or substantially all of the assets of the Company, in one transaction or a series of related transactions, to any person other than the Company, where any such transaction or series of related transactions as is referred to in clause (x) or clause (y) above in this subparagraph (c) (singly or collectively, a "**Transaction**") does not otherwise result in a "Change of Control" pursuant to subparagraph (a) of this definition of "Change of Control"; *provided, however*, that no such Transaction shall constitute a "Change of Control" under this subparagraph (c) if the persons who were the stockholders of the Company immediately before the consummation of such Transaction are the beneficial owners, immediately following the consummation of such Transaction, of 50% or more of the combined voting power of the then outstanding voting securities of the person surviving or resulting from any merger, consolidation or reorganization referred to in clause (x) above in this subparagraph (c) or the person to whom the assets of the Company are sold, assigned, leased, conveyed or disposed of in any transaction or series of related transactions referred in clause (y) above in this subparagraph (c), in substantially the same proportions in which such beneficial owners held voting stock in the Company immediately before such Transaction.

In the event of Executive's physical or mental disability (so that Executive is not reasonably able to render full services as contemplated hereby) for any consecutive period exceeding eight (8) months, or for shorter periods aggregating more than eight (8) months during any twelve (12) month period, the Company shall nevertheless continue to pay full salary up to and including the last date of the eighth consecutive month of disability, or the day on which the shorter periods of disability shall have equaled to a total of eight (8) months during such twelve (12) month period, but the Company may, at any time within six (6) weeks thereafter, at its election terminate this Agreement by delivery of written notice thereof to Executive. In the event that Executive dies during the Employment Term, the Company shall be obligated to pay his estate or legal successor the following amounts: (i) promptly following his death, an amount equal to one−half ($^1/_2$) of the amount of his Base Salary at the time of his death; and (ii) on the date that is six months following his death (or the next regular payroll date, which is later), an amount equal to one−half ($^1/_2$) of the amount of his Base Salary at the time of his death.

5.2 ***Payment Upon Termination***.

5.2.1 ***Generally***. Upon any termination, the Company shall pay to Executive (or, if applicable, to Executive's estate) all amounts accrued and unpaid as of the date of termination in respect of (i) Executive's Base Salary for periods through such date, (ii) vacation pay, and (iii) any reimbursement for expenses owing to Executive pursuant to Section 4.1. In the event of a termination with Cause, Executive shall only be entitled to the payments specified in this Section 5.2.1.

5.2.2 ***Termination Without Cause***. If the Company terminates Executive other than for Cause, or if the Company elects not to renew the Employment Term at the end of the initial or any subsequent five−year period, or if Executive resigns with Good Reason, then in addition to amounts that Executive is entitled to receive under Section 5.2.1, Executive shall be entitled to receive as a severance benefit (i) three times Executive's Base Salary, payment of which shall be accelerated and paid in one lump sum as soon as practically possible within the next pay period, (ii) any and all health and life insurance benefits provided to Executive pursuant to Sections 4.2 and 8.4 hereof for a period of three years from the Executive's date of termination, as well as the other insurance benefits specified in Section 8.4, and (iii) accelerated vesting of any options or restricted stock granted to Executive. In the event of the death of Executive during the term of this Agreement while Executive continues to be employed by the Company, Executive's spouse shall be entitled to receive a severance payment equal to one−half of Executive's Base Salary, payable in one sum as soon as practically possible within the next pay period.

5.3 ***Exclusivity of Remedies***. Executive agrees that the rights and entitlements set forth in this Section 5 are his exclusive rights and entitlements from the Company and any affiliated entity upon the termination of Executive's employment with the Company, and upon termination the Company shall be released from other obligations hereunder.

6. ***Covenants***.

6.1 ***Non−Interference Covenant***. As a means reasonably designed to protect the Company's Confidential Information (as hereinafter defined) (Executive hereby agreeing and acknowledging that the proscribed activities would necessarily involve the use of such Confidential Information), during the Employment Term and for a period of one year thereafter, Executive shall not, directly, indirectly or as an agent on behalf of or in conjunction with any person, firm, partnership, corporation or other entity, (a) hire any person who is then, or within the prior three months has been, an employee of the Company or its affiliated entities to leave the employment of the Company or its affiliated entities, or (b) solicit or service any person or entity with whom the Company has a business relationship or who is or was during the Employment Term, a customer or client of the Company.

6.2 ***Employment Exclusive***. Executive shall not, during the Employment Term, own any interest (other than up to 5% of the voting securities of a publicly traded corporation) in, render financial assistance to, or offer personal services (for payment or otherwise), to any entity or individual that competes with the Company in Company Business (as defined below) or that is a material supplier of the Company. In addition, Executive shall not engage in any activity which would interfere with the performance of Executive's services to the Company. "**Company Business**" means the Company's business as it is currently conducted and any other business activity in which the Company is engaged at any time during Executive's employment with the Company.

6.3 ***Confidential Information***. Executive occupies a position of trust and confidence with respect to the Company's affairs and business. Executive has and will have access to Confidential Information, which he acknowledges is proprietary to the Company and highly sensitive in nature.

6.3.1 ***Definition of Confidential Information***. "**Confidential Information**" means information disclosed to Executive or known to Executive as a consequence of or through his employment by the Company, whether or not related to his duties, and includes trade secrets or any other like information relating to the business and/or field of interest of the Company or any business and/or field of interest seriously considered by the Company during Executive's employment by the Company, including, but not limited to, information relating to Inventions (as defined below), disclosures, processes, systems, methods, formulas, patents, patent applications, machinery, materials, research activities and plans, cost of production, contract forms, prices, volume of sales, marketing methods and plans, promotional methods, and lists of names or classes of customers. Information shall for purposes of this Agreement be considered to be confidential if not known by the trade generally, even though such information may have been disclosed to one or more third parties pursuant to consulting agreements, joint research agreements, or other agreements entered into by the Company.

6.3.2 ***No Disclosure***. During and after Executive's employment with the Company, Executive shall not (a) use, disclose or otherwise permit any person or entity access to any of the Confidential Information other than as required in the good faith performance of Executive's duties with the Company, or (b) sell, license or otherwise exploit any products or services which embody in whole or in part any Confidential Information. During and after Executive's engagement with the Company, Executive shall take all reasonable precautions to prevent disclosure by Executive of the Confidential Information to unauthorized persons or entities.

6.3.3 ***Return All Materials***. Upon termination of Executive's employment with the Company, Executive shall deliver to the Company all tangible materials in any way embodying the Confidential Information, including any documentation, records, listings, notes, data, sketches, drawings, memoranda, models, videos, accounts, reference materials, samples, machine−readable media and equipment, and wire frame models. Executive shall not retain any copies of any of the above materials.

6.4 ***Assignment of Inventions***.

6.4.1 ***Definition of Inventions***. "Inventions" mean discoveries, developments, concepts, ideas, methods, designs, improvements, inventions, formulas, processes, techniques, programs, know−how and data, whether or not patentable or registerable under copyright or similar statutes except, in accordance with California Labor Code Section 2870, any such that (a) is not related to the business of the Company, or the Company's actual or demonstrable research or development, (b) does not involve the use of any equipment, supplies, facility or trade secret information of the Company, (c) was developed entirely on Executive's own time, and (d) does not result from any work performed by Executive for the Company.

6.4.2 ***Assignment***. Executive agrees to and hereby does assign to the Company all his right, title and interest in any and all Inventions he may make during his employment with the Company.

6.4.3 ***Duty to Disclose and Assist***. Executive agrees to promptly disclose in writing all Inventions to the Company, and to provide all assistance reasonably requested by the Company in the preservation of the Company's interests in the Inventions including obtaining patents in any country throughout the world. Such services will be without additional compensation if Executive is then employed by the Company and for reasonable compensation and subjected to his reasonable availability if he is not. If the Company cannot, after reasonable effort, secure Executive's signature on any document or documents needed to apply for or prosecute any patent, copyright, or other right or protection relating to an Invention, whether because of his physical or mental incapacity or for any other reason whatsoever, Executive hereby irrevocably designates and appoints the Company and its duly authorized officers and agents as his agent and attorney−in−fact, to act for and in his behalf and in his name and stead for the purpose of executing and filing any such application or applications and taking all other lawfully permitted actions to further the prosecution and issuance of patents, copyrights, or similar protections thereon, with the same legal force and effect as if executed by him.

6.5 ***Ownership of Copyrights***. Executive agrees that any work prepared for the Company which is eligible for United States copyright protection or protection under the Universal Copyright Convention, the Berne Copyright Convention and/or the Buenos Aires Copyright Convention shall be a work made for hire and ownership of all copyrights (including all renewals and extensions) therein shall vest in the Company. If any such work is deemed not to be a work made for hire for any reason, Executive hereby grants, transfers and assigns all right, title and interest in such work and all copyrights in such work and all renewals and extensions thereof to the Company, and agrees to provide all assistance reasonably requested by the Company in the establishment, preservation and enforcement of the Company's copyright in such work, such assistance to be provided at the Company's expense but without any additional compensation to Executive. Executive hereby agrees to and does hereby waive the enforcement of all moral rights with respect to the work developed or produced hereunder, including without limitation any and all rights of identification of authorship and any and all rights of approval, restriction or limitation on use or subsequent modifications.

6.6 ***Litigation***. Executive agrees to render assistance, advice and counsel to the Company at its request regarding any matter, dispute or controversy with which the Company may become involved and of which Executive has or may have reason to have knowledge, information or expertise. Such services will be without additional compensation if Executive is then employed by the Company and for reasonable compensation and subjected to his reasonable availability if he is not.

7. ***Arbitration as the Exclusive Remedy***.

7.1 ***Arbitration as the Exclusive Remedy***. **Except for actions seeking injunctive relief (which may be brought before any court having jurisdiction under this Agreement), and except with respect to claims asserted in a proceeding initiated by an unrelated third party in which either the Company or Executive is a defendant, any controversy or claim (whether against Executive or the Company or any parent, subsidiary or affiliate thereof, or any officer, director, employee or agent of any of the foregoing) arising out of or relating to this Agreement, including, but not limited to, any claim relating to its validity, interpretation, enforceability or breach, and/or any other claim or controversy arising out of the employment relationship or the commencement or termination of that relationship, including, but not limited to, claims which are brought against any of the Company's directors, officers, employees and agents and claims for breach of covenant, for breach of an implied covenant, for intentional infliction of emotional distress, or under any applicable statute (including, without limitation, claims for age or sex discrimination) which are not settled by agreement between the parties, shall be submitted to arbitration by the American Arbitration Association in Temecula, California (or the nearest American Arbitration Association office, or such other place as the parties may mutually agree) before an arbitrator to be mutually agreed upon by the parties or, failing their agreement, pursuant to the rules of the American Arbitration Association. In consideration of each party's agreement to submit to arbitration all disputes with regard to this Agreement and/or with regard to any alleged contract or tort or other claim arising out of the employment relationship or the commencement or termination of that employment relationship, and in consideration of the anticipated expedition and the minimizing of expense of this arbitration remedy, each agrees that the arbitration provisions of this Agreement shall provide it with its exclusive remedy against the other party (including its officers, directors, employees and agents) and each party expressly waives any right it might have to seek redress in any other forum except as provided herein.**

	WHC, Sr.	WHC, Jr.
Initials:	Company	Officer

7.2 ***Procedures***. The party filing a claim must present it in writing to the other party in Temecula, California within six months of the date the party filing the claim knew or should have known of it or the date of the termination, whichever is earlier. Any claim not brought within the required time period will be waived forever. In the proceedings (i) all testimony of witnesses shall be taken under oath and (ii) upon conclusion of any proceedings hereunder, the arbitrator shall render findings of fact and conclusions of law in a written opinion setting forth the basis and reasons for any decision reached and deliver such documents to each party to this Agreement along with a signed copy of the award in accordance with Section 1283.6 of the California Code of Civil Procedure. The arbitrator shall have power to allocate between the parties in their award costs incurred in preparation for and as a result of any such arbitration, including, without limitation, filing fees, attorneys' fees, the compensation to be paid to the arbitrator in any such arbitration and costs of transcripts.

8. ***Miscellaneous***.

8.1 ***Agreement Authorized***. Executive hereby represents and warrants that he is free to enter into this Agreement and to render his services pursuant to this Agreement, that he has resigned all offices with any other entities, and that he is not subject to any obligation or restriction that would prevent him from discharging his duties under this Agreement, and agrees to indemnify and hold harmless the Company from and with respect to any liability, damages or costs, including attorneys' fees, arising out of any breach by Executive of this representation and warranty. The Company hereby represents and warrants that any required authorization of this Agreement by its Board of Directors has been obtained.

8.2 ***Notices***. Any notice required or desired to be given to the Company or to Executive shall be given in writing, and shall be addressed (i) to the Company at its principal place of business, and (ii) to Executive at his most recent home address in the records of the Company, or to such other address as that party may hereafter designate in writing, and shall be sufficiently given by actual delivery thereof to the Company or Executive, as the case may be, or by facsimile or overnight or registered mail, postage prepaid, return receipt requested, addressed to the other party as aforesaid, and the date of delivery, mailing or telegraphing shall be the date of the giving of such notice.

8.3 ***Payment of Taxes***. To the extent that any taxes become payable by Executive by virtue of any payments made or benefits conferred by the Company, the Company shall not be liable to pay or obligated to reimburse Executive for any such taxes or to make any adjustment under this Agreement. Any payments otherwise due under this Agreement to Executive, including, but not limited to, the Base Salary and any bonus, shall be reduced by any required withholding for Federal, State and/or local taxes and other appropriate payroll deductions. The Company shall be entitled to offset any payment obligations to Executive under this Agreement against any amounts it alleges in good faith that Executive owes to the Company.

8.4 ***Insurance***. The Company shall apply for and take out, in its own name and at its own expense, the following insurance policies on Executive for the Employment Term: (i) life insurance in the following amounts: (x) One Million Seven Hundred Fifty Thousand Dollars ($750,000) under a life insurance policy as to which the Company shall be the beneficiary, and (y) One Million Seven Hundred Fifty Thousand Dollars ($750,000) under a personal life insurance policy as to which Executive shall be entitled to designate one or more beneficiaries; and (ii) travel and accident insurance in the amount of One Million Dollars ($1,000,000) under a policy as to which Executive shall be entitled to designate one or more beneficiaries. In addition, the Company shall apply for and take out, in its own name and at its own expense, a disability insurance policy on Executive as to which Executive shall be the beneficiary, the terms and conditions of which shall be substantially the same as the disability policy in place as of the date hereof (as such terms and conditions may be amended or modified under such policy or a replacement policy commercially available from time to time), in the amount of $66^2/_3$% of the Base Salary, payable in monthly installments (and in no event less than the aggregate amount of Five Hundred Thousand Dollars ($500,000) annually). Regardless of the reason for termination, if Executive's employment with the

Company terminates for any reason other than Cause during the Employment Term, the Company nonetheless shall maintain such disability insurance policy at its own expense until the date on which Executive reaches age sixty−five (65). In addition to the foregoing, in the event of Executive's death while an employee of the Company or termination of employment due to disability as provided in Section 5.1 hereof, the Company shall provide Executive's spouse, for the remainder of her life, with Company−paid medical insurance to the same extent such insurance is made generally available to its senior executive officers.

Executive shall aid and cooperate in all reasonable respects with the Company in procuring any and all such insurance pursuant to this Section 8.4, including, without limitation, submitting to the usual and customary medical examinations, and by filling out, executing and delivering such applications and other instruments in writing as may be reasonably required by an insurance company or companies to which an application or applications for such insurance may be made by or for the Company. In no event may the dollar amount of any and all insurance pursuant to this Section 8.4 be raised or lowered without the mutual consent of the Company and Executive.

In addition, the Company shall at all times during the Employment Term ensure that Executive is insured under a customary directors and officer insurance policy, with policy limits and self−retention amounts reasonably appropriate to the Company's circumstances, as determined by the Board of Directors of the Company. Further, the Company shall indemnify Executive and hold him harmless for all acts and omissions during the Employment Term, to the maximum extent permitted by applicable law.

8.5 ***Assignment***. This Agreement is a personal contract, and the rights, interests and obligations of Executive under this Agreement may not be sold, transferred, assigned, pledged or hypothecated, except that this Agreement may be assigned by the Company to any corporation or other business entity which succeeds to all or substantially all of the business of the Company through merger, consolidation, corporate reorganization or by acquisition of all or substantially all of the assets of the Company and which assumes the Company's obligations under this Agreement. The terms and conditions of this Agreement shall inure to the benefit of and be binding upon any successor to the business of the Company.

8.6 ***Entire Agreement***. This Agreement sets forth the entire understanding of the parties with respect to the employment relationship, including the commencement and termination of the employment relationship, and supersedes any and all prior agreements or understandings between the parties relating to such subject matter. No person has any authority to make any representation or promise on behalf of any of the parties which is inconsistent with the representations set forth in the Agreement and the Agreement has not been executed in reliance on any promise or representation not set forth in the Agreement.

8.7 ***Modification, Waiver and Amendment***. None of the terms or provisions of this Agreement shall be modified or waived, and this Agreement may not be amended or terminated, except by a written instrument signed by the party against which any modification, waiver, amendment or termination is to be enforced. No waiver of any one provision shall be considered a waiver of any other provision, and the fact that an obligation is waived for a period of time or in one instance shall not be considered to be a continuing waiver.

8.8 ***Cooperation***. Each party hereto agrees to execute any and all further documents and writings and perform such other reasonable actions which may be or become necessary or expedient to effectuate and carry out the provisions hereof.

8.9 ***Governing Law***. This Agreement has been negotiated and entered into in the State of California, concerns a business with its principal offices in California and a California resident and all questions with respect to this Agreement and the rights and liabilities of the parties shall be governed by the laws of that state, regardless of the choice of law provisions of California or any other jurisdiction.

8.10 ***Equity***. The parties hereto agree that the services to be rendered under the terms of this Agreement, and the rights and privileges granted to the Company by Executive under its terms, are of a special, unique, unusual, extraordinary and intellectual character involving skill of the highest order which gives them a peculiar value. In the event of the breach by Executive of any of the provisions of this Agreement, the Company, in addition and as a supplement to such other rights and remedies as may exist in its favor, may apply to any court of law or equity having jurisdiction to enforce this Agreement, and/or may apply for injunctive relief against any act which would violate any of the provisions of this Agreement.

8.10.1 ***Injunctive Relief; Profits***. Executive understands that monetary damages will not be sufficient to avoid or compensate for a breach of any of the covenants contained in Section 6 hereof and that injunctive relief would be appropriate to prevent any such actual or threatened breach. Such right to obtain injunctive relief may be exercised, at the option of the Company, concurrently with, prior to, after, or in lieu of, the exercise of any other rights or remedies which the Company may have as a result of any such breach or threatened breach. Executive shall account for and pay over to the Company all compensation, profits and other benefits, after taxes, inuring to Executive's benefit which are derived or received by Executive or any other person or business entity controlled by Executive resulting from any action or transaction constituting a breach of any covenant contained in Section 6. Executive shall similarly have the right to seek injunctive relief for any breach or threatened breach of this Agreement for which a court of competent jurisdiction would or might provide such a remedy.

8.11 ***Rules of Construction***.

8.11.1 ***Headings***. The Section headings in this Agreement are inserted only as a matter of convenience, and in no way define, limit, or extend or interpret the scope of this Agreement or of any particular Section.

8.11.2 ***Tense and Case***. Throughout this Agreement, as the context may require, references to any word used in one tense or case shall include all other appropriate tenses or cases.

8.11.3 ***Severability***. Nothing contained in this Agreement shall be construed so as to require the commission of any act contrary to law and whenever there is any conflict between any provision of this Agreement and any statute, law, ordinance, order or regulation, contrary to which the parties have no right to contract, the latter shall prevail, but in such event any provision of this Agreement so affected shall be curtailed and limited only to the extent necessary to bring it within legal requirements.

8.12 ***Counterparts***. This Agreement may be executed in two counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument.

EXECUTIVE ACKNOWLEDGES HAVING CAREFULLY READ, UNDERSTOOD AND CONSULTED WITH AND BEEN ADVISED BY HIS OWN COUNSEL REGARDING ALL OF THE PROVISIONS IN THIS AGREEMENT AND HAVING NEGOTIATED SUCH PROVISIONS. EXECUTIVE KNOWS THAT HE CANNOT RELY ON ANY STATEMENT OUTSIDE OF (I) THIS AGREEMENT OR (II) A FORMAL WRITTEN AMENDMENT OF THIS AGREEMENT.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first written above.

/s/ WILLIAM H. CHANNELL, JR.

William H. Channell, Jr.

CHANNELL COMMERCIAL CORPORATION

/s/ WILLIAM H. CHANNELL, SR.

William H. Channell, Sr., Chairman

Exhibit A

Principal Terms of LTIP

- Bonus payment equal to 3% of the increase in market capitalization annually, commencing in 2004, provided that annual bonus may not exceed $500,000
- Bonus payment equal to 4% of the increase in market capitalization over the three−year period commencing January 1, 2004, provided that the three−year bonus may not exceed $1,500,000
- Annual bonus not payable unless increase in market capitalization is at least 10%, and three−year bonus not payable unless increase in market capitalization is at least 30%
- If annual bonus is not earned in a particular year, but growth in a subsequent year or years makes up the shortfall (in addition to qualifying for a bonus in that year), then such bonus will be earned in that year
- Increase in market capitalization to be measured by reference to the average daily closing sales prices for the Company's stock on NASDAQ for the trading days falling in August and September of each calendar year
- "High water" provision such that no additional annual bonuses can be earned until market capitalization exceeds 120% of the highest level at which bonuses were previously earned
- If there is a change in the Company's capitalization (secondary offering, etc.), effect will be disregarded for purposes of annual bonuses until October 1 of the following LTIP plan year, and a pro forma change will be made in the starting market capitalization for purposes of the three−year bonus
- Bonus payments to be $^1/_2$ in stock and $^1/_2$ in cash, unless Executive elects to take a greater percentage (up to 100%) in stock
- Bonus payments for each plan year shall be paid on or before December 31 of the year in which the applicable market capitalization calculation demonstrates the earning of an award

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Exhibit 14

Channell Commercial Corporation
Code of Business Conduct and Ethics

Article I
Statement of Purpose

Channell Commercial Corporation (the "*Company*") depends on the judgment and high personal standards of its directors, officers and employees in order to conduct its business with integrity and in full compliance with the law. The Company has established this Code of Business Conduct and Ethics (this "*Code of Ethics*") that applies to all directors, officers and employees of the Company (individually, an "*Employee*," and, collectively, the "*Employees*"). The purpose of this Code of Ethics is to deter wrongdoing and to promote:

- Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- Full, fair, accurate, timely and understandable disclosure in reports and documents that the Company files with, or submits to, the Securities and Exchange Commission and in other public communications made by the Company;
- Compliance with applicable governmental laws, rules and regulations;
- The prompt internal reporting to an appropriate person or committee of violations of this Code of Ethics; and
- Accountability for adherence to this Code of Ethics.

As a representative of the Company, each Employee has personal responsibility for both the integrity and the consequences of his or her actions. No policy can cover every possible situation, and whenever a question arises about the propriety of certain actions, the Employee should seek advice and counsel from his or her supervisor or department vice president or any other officer of the Company. Employees are encouraged to contact any of the foregoing persons regarding questions about this Code of Ethics.

Article II
Administration

The Audit Committee (the "*Audit Committee*") of the Board of Directors of the Company shall administer this Code of Ethics. However, it is the individual responsibility of each Employee to comply with this Code of Ethics.

Article III
Compliance with Laws

1. It is the policy of the Company to comply with all applicable laws, rules and regulations. Each Employee's actions shall be, to the best of his or her knowledge, in accordance with all such laws, rules and regulations, and each Employee is expected to be familiar with the laws, rules and regulations that impact and control his or her specific duties.

2. No Employee may ask or pressure another Employee to break any law, rule or regulation.

3. Employees are required to understand and comply with the Company's insider trading policies that govern Employees' trading in securities of the Company.

Article IV
Compliance with Company Policies

1. Employees who are involved in preparing reports and other documents filed with the Securities and Exchange Commission and other public communications of the Company shall observe the Company's policies and procedures with respect to such filings and communications, including, without limitation, policies and procedures with respect to (a) internal controls and (b) disclosure controls and procedures. All Employees shall cooperate fully in any matters relating to the gathering of information and the preparation of such filings and communications in order to promote full, fair, accurate, timely and understandable disclosures in such filings and communications.

2. Employees shall observe the Company's other policies and procedures, including, without limitation, policies and procedures with respect to the prohibition against discrimination or harassment.

Article V
Conflicts of Interest

1. Employees shall take all practicable steps to avoid conflicts of interest. A "conflict of interest" occurs when an individual's private interest interferes—or even appears to interfere—in any way with the interests of the Company as a whole. A conflict situation can arise when an Employee takes actions or has interests that may make it difficult to perform his or her Company work objectively and effectively. Conflicts of interest also arise when an Employee, or a

member of his or her family, receives improper personal benefits as a result of his or her position in the Company. Loans to, or guarantees of obligations of, such persons are of special concern.

2. In questionable situations, Employees should direct requests for determination of whether or not a conflict of interest exists to his or her supervisor or department vice president or to any other officer of the Company.

3. If a situation that creates a conflict of interest arises, the Employee involved and any Employee who is aware of such conflict of interest must promptly report it (a) if the person involved is a director or an executive officer of the Company, to the Chair of the Audit Committee, or (b) if the person involved is someone other than a director or an executive officer of the Company, to the Employee's supervisor or department vice president or to any other officer of the Company.

4. The person to whom the conflict of interest is reported, or his or her designee, shall monitor the situation creating the conflict of interest and shall work with the Employee with the conflict of interest to eliminate the conflict of interest as soon as possible. To the fullest extent practicable, the Employee with the conflict of interest shall be removed from any decision−making on behalf of the Company related to the situation creating the conflict of interest. In no event shall the Employee with the conflict of interest be permitted to receive any improper personal benefit from such situation.

Article VI
Corporate Opportunities

1. Employees shall not appropriate any business opportunity that is discovered through the use of the Company's property or information or their position with the Company.

2. Employees shall not use their position with the Company or the Company's property or information for personal gain or the personal gain of members of their families.

3. Employees shall not compete with the Company.

4. Employees owe a duty to the Company to advance its legitimate interests when the opportunity to do so arises.

Article VII
Fair Dealing

1. Each Employee should maintain a high degree of integrity in his or her business dealings on behalf of the Company. The Company expects that each Employee shall in the performance of his or her duties:

(a) Deal fairly with the Company's customers, suppliers, competitors and employees in accordance with prevailing standards of business conduct; and

(b) Not take unfair advantage of the Company's customers, suppliers, competitors or employees through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other unfair−dealing practice.

2. In pursuing business opportunities, Employees shall not offer improper favored treatment designed to gain a competitive edge. This includes offering customers, contractors, potential customers or contractors, or their family members, gifts or entertainment that exceed prevailing standards of business conduct in the telecommunications industry as an inducement for business transactions with the Company.

3. Employees shall make procurement decisions exclusively on the basis of the Company's best interests, considering such factors as quality, service, price, financial responsibility and maintenance of reliable sources of supplies. It is improper for an Employee to seek or receive favored treatment from a potential or actual supplier or contractor in the form of gifts or entertainment to the Employee or any of the Employee's family members that exceed prevailing standards of business conduct in the telecommunications industry.

4. Employees shall not offer, give, provide or accept any gift or entertainment in connection with the Employee's relationship or employment with the Company that is a cash gift, that can be construed as a bribe, kickback or payoff, or that violates any applicable laws, rules or regulations.

Article VIII
Protection of Company Assets

1. Employees shall, to the fullest extent practicable, protect the Company's assets and ensure their efficient use.

2. Employees shall use the Company's assets only for the Company's legitimate business purposes.

3. No Company assets, including employee work time, may be contributed to any political candidate, party or campaign.

Article IX
Health and Safety

1. Employees shall comply with all applicable laws, rules and regulations and applicable policies and procedures to maintain a safe workplace.

2. Employees shall not possess, store or use any weapons or unlawful drugs at any Company facility or worksite.

3. Employees shall not possess, consume or store alcoholic beverages at any Company facility or worksite, except in connection with specific occasions or events approved in advance by an executive officer of the Company.

Article X
Business Information and Records

1. All Company books, accounts, records and financial reports must be maintained accurately, with complete documentation and in accordance with all relevant accounting, internal control and documentation retention requirements. No entries will be made, and no reports will be issued, that intentionally conceal or disguise the true nature of the transaction. All funds and accounts established by the Company must be accurately described in relevant books and records. No undisclosed, unrecorded or "off−book" funds or assets may be established or maintained for any purposes.

2. Expense reports shall accurately reflect expenses incurred in the course of doing business and shall comply with the Company's expense reimbursement policy.

3. Employees shall record and charge their time accurately and to the proper accounts. Supervisors are responsible for ensuring that employees' time is charged properly.

Article XI
Confidentiality

Each Employee shall maintain the confidentiality of the Company's confidential and proprietary information in accordance with the Company's confidentiality policies and any confidentiality agreements entered into, by or with the Company. The same requirements apply to protecting confidential information entrusted to the Company by a third party.

Article XII
Reporting and Consequences of Violations

1. The Company expects each of its Employees (a) to comply with all provisions of this Code of Ethics, (b) to use his or her own high standards and reasoned judgment, and (c) to seek the advice and counsel of his or her supervisor or department vice president or any other officer of the Company in ambiguous situations, when the Employee has any question about the appropriate course of action, and to clarify issues not covered by these standards. The management of the Company is charged with creating and maintaining an environment that promotes proper business conduct and allows employees to feel free to question or report in good faith suspected improprieties without fear of retribution.

2. An Employee (a) shall report any violations of this Code of Ethics by the Company's directors or executive officers to the Chair of the Audit Committee and (b) shall report any violations of this Code of Ethics by other Employees who are not directors or executive officers of the Company to his or her supervisor or department vice president or to any other officer of the Company. Employees shall not deliberately provide false information concerning violations of laws, rules, regulations or this Code of Ethics. An Employee who deliberately fails to report a violation of which he or she is aware, or who deliberately provides false information, may be subject to disciplinary action.

3. An Employee may report concerns regarding questionable accounting or auditing matters anonymously by contacting the Chair of the Audit Committee on an anonymous basis. If the Employee wants the submission to be anonymous, the Employee should not leave or provide his or her name or other personal identifying information. The Employee should provide as much information as possible, including all relevant facts and circumstances that he or she believes should be considered in evaluating the situation. If the Employee requests, the Company will maintain the confidentiality of the submission to the extent reasonably practicable. However, the Company may be required to disclose the submission in response to legal proceedings, subpoenas, civil or criminal investigative demands, or similar processes. In addition, the Company may be required to disclose publicly the matters pertaining to the violation or to take corrective actions and to disclose publicly those corrective actions. In order to make a thorough investigation, it also may be necessary to make inquiries or otherwise engage in

conduct that may make it possible to discern the source of the information even though the submission was made anonymously.

4. The Company shall not discharge, demote, suspend, threaten, harass, or in any other manner discriminate against any Employee in the terms or conditions of employment because of any lawful act done by such Employee:

(a) to assist in an investigation, provide information, or cause information to be provided, in each case, regarding any conduct that such Employee reasonably believes constitutes a violation of this Code of Ethics or any applicable law, rule or regulation of any governmental entity (a "*Violation*"), including without limitation any Violation of federal mail fraud statutes, any rule or regulation of the Securities and Exchange Commission, or any provision of federal law relating to fraud against shareholders when the information or assistance is provided to or the investigation is conducted by a federal regulatory or law enforcement agency, any member of Congress or any committee of Congress, or a person with supervisory authority over the Employee (or such other person working for the Company who has the authority to investigate, discover, or terminate misconduct); or

(b) to file, cause to be filed, testify, participate in, or otherwise assist in a proceeding filed or about to be filed (with any knowledge of the Company) relating to an alleged Violation.

5. The provisions of this Code of Ethics may be waived for directors or executive officers only by the Company's Board of Directors. The Company shall promptly disclose any such waiver, and the reasons therefor, in accordance with, and to the extent required by, the rules and regulations of the Securities and Exchange Commission and any applicable standards of The Nasdaq National Market. The provisions of this Code of Ethics may be waived for Employees who are not directors or executive officers by the Company's Chief Executive Officer, or his or her designee, or by the Company's Board of Directors. The Company may not waive the provisions of Section 5 of this Article XII.

6. Any violation of this Code of Ethics by an officer or employee of the Company shall subject such officer or employee to disciplinary action, including, without limitation, suspension, demotion or discharge. Any violation of this Code of Ethics by a director of the Company may constitute cause for disciplinary action, including, without limitation, a request by the Company for the resignation of such director.

7. This Code of Ethics may be amended by the Company's Board of Directors. Any such amendment shall be promptly disclosed by the Company in accordance with, and to the extent required by, the rules and regulations of the Securities and Exchange Commission and any applicable standards of The Nasdaq National Market.

Compliance Certification

I have read and I understand the attached Code of Ethics. I agree that I will comply with the Code of Ethics. If I am an officer or employee of the Company, I agree that any violation of the Code of Ethics will constitute cause for disciplinary action, including, without limitation, suspension, demotion or discharge.

I certify that I am not currently in violation of the Code of Ethics.

Dated: , 200 .

Name

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Exhibit 23

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

We have issued our report dated February 6, 2004 accompanying the consolidated financial statements included in the Annual Report of Channell Commercial Corporation on Form 10−K for the year ended December 31, 2003. We hereby consent to the incorporation by reference of said report in the Registration Statement of Channell Commercial Corporation on Form S−8 (File No. 333−36097, effective September 19, 1997).

/s/ GRANT THORNTON LLP

February 6, 2004

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Exhibit 31.1

CERTIFICATIONS

I, William H. Channell, Jr., certify that:

1. I have reviewed this annual report on Form 10-K of Channell Commercial Corporation;

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 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) 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) 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

c) 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 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 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: March 4, 2004	By:	/s/ WILLIAM H. CHANNELL, JR.
		William H. Channell, Jr. President and Chief Executive Officer

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Exhibit 31.2

CERTIFICATIONS

I, Thomas Liguori, certify that:

1. I have reviewed this annual report on Form 10−K of Channell Commercial Corporation;

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 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) 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) 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

  c) 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 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 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: March 4, 2004	By:	/s/ THOMAS LIGUORI
		Thomas Liguori Chief Financial Officer

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Exhibit 32.1

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

Each of the undersigned hereby certifies, in his capacity as an officer of Channell Commercial Corporation (the "Company"), for purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes−Oxley Act of 2002, that to the best of his knowledge:

- The Annual Report of the Company on Form 10−K for the period ended December 31, 2003 fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
- The information contained in such report fairly presents, in all material respects, the financial condition and results of operation of the Company.

Date: March 4, 2004

/s/ WILLIAM H. CHANNELL, JR.

Name: William H. Channell, Jr.
Title: President and Chief Executive Officer

/s/ THOMAS LIGUORI

Name: Thomas Liguori
Title: Chief Financial Officer

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Exhibit 32.1