

PARK ELECTROCHEMICAL CORP  
Form 10-K  
May 16, 2014

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, DC 20549**

**FORM 10-K**

**(Mark One)**

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

**For the fiscal year ended March 2, 2014**

**OR**

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

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission file number 1-4415**

**PARK ELECTROCHEMICAL CORP.**

(Exact Name of Registrant as Specified in Its Charter)

**New York**  
(State or Other Jurisdiction of

Incorporation of Organization)

**48 South Service Road, Melville, New York**

(Address of Principal Executive Offices)

**11-1734643**  
(I.R.S. Employer

Identification No.)

**11747**

(Zip Code)

Registrant's telephone number, including area code (631) 465-3600

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

<u>Title of Each Class</u>	<u>Name of Each Exchange on Which Registered</u>
Common Stock, par value \$.10 per share	New York Stock Exchange
Preferred Stock Purchase Rights	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  
Yes    No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes    No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes    No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

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 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.

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

Large Accelerated Filer   Accelerated Filer   Non-Accelerated Filer   Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  
No

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was sold, or the average bid and asked prices of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter.

<u>Title of Class</u>	<u>Aggregate Market Value</u>	<u>As of Close of Business On</u>
Common Stock, par value \$.10 per share	\$544,915,606	August 30, 2013

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

<u>Title of Class</u>	<u>Shares Outstanding</u>	<u>As of Close of Business On</u>
Common Stock, par value \$.10 per share	20,882,095	May 9, 2014

**DOCUMENTS INCORPORATED BY REFERENCE**

Proxy Statement for Annual Meeting of Shareholders to be held July 22, 2014 incorporated by reference into Part III of this Report.

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## **PART I**

### **ITEM 1. BUSINESS.**

#### **General**

Park Electrochemical Corp. (“Park”), through its subsidiaries (unless the context otherwise requires, Park and its subsidiaries are hereinafter called the “Company”), is a global advanced materials company which develops, manufactures, markets and sells high-technology digital and radio frequency (“RF”)/microwave printed circuit materials products principally for the telecommunications and internet infrastructure and high-end computing markets and advanced composite materials, parts and assemblies products for the aerospace markets. Park’s core capabilities are in the areas of polymer chemistry formulation and coating technology.

Park operates through fully integrated business units in Asia, Europe and North America. The Company's manufacturing facilities are located in Singapore, France, Kansas, Arizona and California. The Company also maintains research and development facilities in Arizona, Kansas and Singapore.

Sales of Park’s printed circuit materials products were 82%, 85% and 86% of the Company’s total net sales worldwide in the 2014, 2013 and 2012 fiscal years, respectively, and sales of Park’s advanced composite materials, parts and assemblies products were 18%, 15% and 14% of the Company’s total net sales worldwide in the 2014, 2013 and 2012 fiscal years, respectively.

Park was founded in 1954 by Jerry Shore, who was the Company’s Chairman of the Board until July 14, 2004.

The sales and long-lived assets of the Company’s operations by geographic area for the last three fiscal years are set forth in Note 14 of the Notes to Consolidated Financial Statements in Item 8 of Part II of this Report. The Company’s foreign operations are conducted principally by the Company’s subsidiaries in Singapore and France. The Company’s foreign operations are subject to the impact of foreign currency fluctuations. See Note 1 of the Notes to Consolidated Financial Statements in Item 8 of Part II of this Report.

The Company makes available free of charge on its Internet website, [www.parkedelectro.com](http://www.parkedelectro.com), its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports as soon as

reasonably practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission. None of the information on the Company's website shall be deemed to be a part of this Report.

AEROGlide®, COREFIX®, EASYCURE E-710®, EF®, LD®, MERCURYWAVE®, METEORWAVE®, NELCO®, RTFOIL® and SI® are registered trademarks of Park Electrochemical Corp., and ALPHASTRUT™, ELECTROGLIDE™, ELECTROVUE™, EP™, PEELCOTE™, POWERBOND™, SIGMASTRUT™ and TIN CITY AIRCROWORKS™ are common law trademarks of Park Electrochemical Corp.

## **Printed Circuit Materials**

### **Printed Circuit Materials - Operations**

The Company is a leading global designer and manufacturer of advanced printed circuit materials used to fabricate complex multilayer printed circuit boards and other electronic interconnection systems, such as multilayer back-planes, wireless packages, high-speed/low-loss multilayers and high density interconnects ("HDIs"). The Company's multilayer printed circuit materials consist of copper-clad laminates and prepregs, which is an acronym for pre-impregnated material. The Company has long-term relationships with its major customers, which include leading independent printed circuit board fabricators, electronic manufacturing service companies, electronic contract manufacturers and major electronic original equipment manufacturers ("OEMs"). Multilayer printed circuit boards and interconnect systems are used in virtually all advanced electronic equipment to direct, sequence and control electronic signals between semiconductor devices (such as microprocessors and memory and logic devices), passive components (such as resistors and capacitors) and connection devices (such as infra-red couplings, fiber optics, compliant pin and surface mount connectors). Examples of end uses of the Company's digital printed circuit materials include high speed routers and servers, storage area networks, supercomputers, satellite switching equipment, and wireless local area networks ("LANs"). The Company's RF/microwave printed circuit materials are used primarily for military avionics, antennas for cellular telephone base stations, automotive adaptive cruise control systems and avionic communications equipment. The Company has developed long-term relationships with major customers as a result of its leading edge products, extensive technical and engineering service support and responsive manufacturing capabilities.

Park believes it founded the modern day printed circuit industry in 1957 by inventing a composite material consisting of an epoxy resin substrate reinforced with fiberglass cloth which was laminated together with sheets of thin copper foil. This epoxy-glass copper-clad laminate system is still used to construct the large majority of today's advanced printed circuit products. The Company also believes that in 1962 it invented the first multilayer printed circuit materials system used to construct multilayer printed circuit boards. The Company also pioneered vacuum lamination and many other manufacturing technologies used in the industry today. The Company believes it is one of the industry's technological leaders.

The Company believes that it is one of the world's largest manufacturers of advanced multilayer printed circuit materials. It also believes that it is one of only a few significant independent manufacturers of high performance multilayer printed circuit materials in the world. The Company was the first manufacturer in the printed circuit materials industry to establish manufacturing presences in the three major global markets of North America, Europe and Asia, with facilities established in Europe in 1969 and Asia in 1986.





### Printed Circuit Materials – Industry Background

The printed circuit materials manufactured by the Company and its competitors are used primarily to construct and fabricate complex multilayer printed circuit boards and other advanced electronic interconnection systems. Multilayer printed circuit materials consist of prepregs and copper-clad laminates. Prepregs are chemically and electrically engineered thermosetting or thermoplastic resin systems which are impregnated into and reinforced by a specially manufactured fiberglass cloth product or other woven or non-woven reinforcing fiber. This insulating dielectric substrate generally is 0.030 inch to 0.002 inch in thickness or less in some cases. While these resin systems historically have been based on epoxy resin chemistry, in recent years, increasingly demanding OEM requirements have driven the industry to utilize proprietary enhanced epoxies as well as other higher performance resins, such as phenolic, bismalimide triazine ("BT"), cyanate ester, enhanced polyimide, non-Methylene Dianiline ("MDA") polyimide, allylated polyphenylene ether ("APPE") or polytetrafluoroethylene ("PTFE"). One or more plies of prepreg are laminated together to form an insulating dielectric substrate to support the copper circuitry patterns of a multilayer printed circuit board. Copper-clad laminates consist of one or more plies of prepreg with each ply laminated on the top and bottom with specialty thin copper foil. Copper foil is specially formed in thin sheets which may vary from 0.0056 inch to 0.0002 inch in thickness and normally have a thickness of 0.0014 inch or 0.0007 inch. The Company supplies both copper-clad laminates and prepregs to its customers, which use these products as a system to construct multilayer printed circuit boards.

The printed circuit board fabricator processes copper-clad laminates to form the inner layers of a multilayer printed circuit board. The fabricator photo images these laminates with a dry film or liquid photoresist. After development of the photoresist, the copper surfaces of the laminate are etched to form the circuit pattern. The fabricator then assembles these etched laminates by inserting one or more plies of dielectric prepreg between each of the inner layer etched laminates and also between an inner layer etched laminate and the outer layer copper plane, and then laminating the entire assembly in a press. Prepreg serves as the insulator and bond between the multiple layers of copper circuitry patterns found in the multilayer circuit board. When the multilayer configuration is laminated, these plies of prepreg form an insulating dielectric substrate supporting and separating the multiple inner and outer planes of copper circuitry. The fabricator drills vertical through-holes or vias in the multilayer assembly and then plates the through-holes or vias to form vertical conductors between the multiple layers of circuitry patterns. These through-holes or vias combine with the conductor paths on the horizontal circuitry planes to create a three-dimensional electronic interconnect system. In specialized applications, an additional set of microvia layers (2 or 4, typically) may be added through a secondary lamination process to provide increased density and functionality to the design. The outer two layers of copper foil are then imaged and etched to form the finished multilayer printed circuit board. The completed multilayer board is a three-dimensional interconnect system with electronic signals traveling in the horizontal planes of multiple layers of copper circuitry patterns, as well as in the vertical planes through the plated holes or vias.

Semiconductor manufacturers have introduced successive generations of more powerful microprocessors and memory and logic devices. Electronic equipment manufacturers have designed these advanced semiconductors into more compact products. High performance computing devices in these smaller platforms require greater reliability, faster signal speeds, closer tolerances, higher component and circuit density and increased overall complexity. As a result, the interconnect industry has developed smaller, lighter, faster and more cost-effective interconnect systems, including

advanced multilayer printed circuit boards.

Advanced interconnect systems require higher technology printed circuit materials to ensure the performance and reliability of the electronic system and to improve the manufacturability of the interconnect platform. Printed circuit board fabricators and electronic equipment manufacturers require advanced printed circuit materials that have increasingly higher temperature tolerances and more advanced and stable electrical properties in order to support high-speed computing in a miniaturized and often portable environment. Temperature tolerance has been further emphasized by the advent of lead-free assemblies.

With the very high density circuit demands of miniaturized high performance interconnect systems, the uniformity, purity, consistency, performance predictability, dimensional stability and production tolerances of printed circuit materials have become successively more critical. High density printed circuit boards and interconnect systems often involve higher layer count multilayer circuit boards where the multiple planes of circuitry and dielectric insulating substrates are very thin (dielectric insulating substrate layers may be 0.002 inch or less) and the circuit line and space geometries in the circuitry plane are very narrow (0.002 inch or less). In addition, advanced surface mount interconnect systems are typically designed with very small pad sizes and very small plated through-holes or vias which electrically connect the multiple layers of circuitry planes, and these interconnect systems frequently make use of multiple lamination cycles and/or laser drilled vias. High density interconnect systems must utilize printed circuit materials whose dimensional characteristics and purity are consistently manufactured to very high tolerance levels in order for the printed circuit board fabricator to attain and sustain acceptable product yields.

Shorter product life cycles and competitive pressures have induced electronic equipment manufacturers to bring new products to market and increase production volume to commercial levels more quickly. These trends have highlighted the importance of front-end engineering of electronic products and have increased the level of collaboration among system designers, fabricators and printed circuit materials suppliers. As the complexity of electronic products increases, materials suppliers must provide greater technical support to interconnect systems fabricators on a timely basis regarding manufacturability and performance of new materials systems.

#### Printed Circuit Materials – Products and Services

The Company produces a broad line of advanced printed circuit materials used to fabricate complex multilayer printed circuit boards and other electronic interconnect systems, including backplanes, high speed/low loss multilayers and high density interconnects (“HDI’s”). The Company’s diverse advanced printed circuit materials product line is designed to address a wide array of end-use applications and performance requirements.

The Company’s printed circuit materials products have been developed internally and through long-term development projects with its principal suppliers and, to a lesser extent, through licensing arrangements. The Company focuses its research and development efforts on developing industry leading product technology to meet the most demanding product requirements and has designed its product line with a focus on the higher performance, higher technology end of the materials spectrum.

The Company’s products utilize, among other things, high-speed, low-loss, engineered formulations, high-temperature modified epoxies, phenolics, BT epoxies, MDA polyimides, enhanced polyimides, APPE, SI® (Signal Integrity) products, cyanate esters and PTFE formulations for RF/microwave applications.

The Company's high performance printed circuit materials consist of high-speed, low-loss Cathodic Anodic Filament ("CAF") resistant materials for digital and RF/microwave applications requiring lead-free compatibility and high bandwidth signal integrity, BT materials, polyimides for applications that demand extremely high thermal performance, cyanate esters, quartz reinforced materials, and PTFE and modified epoxy materials for RF/microwave systems that operate at frequencies up to 77 GHz.

The Company has developed long-term relationships with select customers through broad-based technical support and service, as well as manufacturing proximity and responsiveness at multiple levels of the customer's organization. The Company focuses on developing a thorough understanding of its customer's business, product lines, processes and technological challenges. The Company seeks customers which are industry leaders committed to maintaining and improving their industry leadership positions and which are committed to long-term relationships with their suppliers. The Company also seeks business opportunities with the more advanced printed circuit fabricators and electronic equipment manufacturers which are interested in the full value of products and services provided by their suppliers. The Company believes its proactive and timely support in assisting its customers with the integration of advanced materials technology into new product designs further strengthens its relationships with its customers.

The Company's emphasis on service and close relationships with its customers is reflected in its short lead times. The Company has developed its manufacturing processes and customer service organizations to provide its customers with printed circuit materials products on a just-in-time basis. The Company believes that its ability to meet its customers' customized manufacturing and quick-turn-around ("QTA") requirements is one of its unique strengths.

#### Printed Circuit Materials – Customers and End Markets

The Company's customers for its advanced printed circuit materials include the leading independent printed circuit board fabricators, electronic manufacturing service ("EMS") companies, electronic contract manufacturers ("ECMs") and major electronic original equipment manufacturers ("OEMs") in the computer, networking, telecommunications, wireless communications, transportation, aerospace, military and instrumentation industries located throughout North America, Europe and Asia. The Company seeks to align itself with the larger, more technologically-advanced and better capitalized independent printed circuit board fabricators and major electronic equipment manufacturers which are industry leaders committed to maintaining and improving their industry leadership positions and to building long-term relationships with their suppliers. The Company's selling effort typically involves several stages and relies on the talents of Company personnel at different levels, from management to sales personnel and quality engineers. In recent years, the Company has augmented its traditional sales personnel with an OEM marketing team and process and product technology specialists.

During the Company's 2014 fiscal year, approximately 15.8% of the Company's total worldwide sales were to TTM Technologies, Inc., a leading manufacturer of printed circuit boards. During the Company's 2013 fiscal year, approximately 16.1% of the Company's total worldwide sales were to TTM Technologies, Inc., and approximately 10.1% of the Company's total worldwide sales were to Sanmina-SCI Corporation, a leading electronics contract manufacturer and manufacturer of printed circuit boards. During the Company's 2012 fiscal year, approximately 15.7% of the Company's total worldwide sales were to TTM Technologies, Inc., approximately 11.5% of the Company's total worldwide sales were to Sanmina-SCI Corporation and approximately 10.0% of the Company's total worldwide sales were to subsidiaries of Flextronics International Ltd. which are manufacturers of multilayer printed circuit boards. During the Company's 2014, 2013 and 2012 fiscal years, sales to no other customer of the Company equaled or exceeded 10% of the Company's total worldwide sales.

Although the Company's printed circuit materials business is not dependent on any single customer, the loss of a major customer or of a group of customers could have a material adverse effect on the Company's business or its consolidated results of operations or financial position.

The Company's printed circuit materials products are marketed primarily by sales personnel and, to a lesser extent, by independent distributors and manufacturers' representatives in industrial centers in Europe and Asia.

### Printed Circuit Materials – Manufacturing

The process for manufacturing multilayer printed circuit materials is capital intensive and requires sophisticated equipment as well as clean-room environments. The key steps in the Company's manufacturing process include: the impregnation of specially designed fiberglass cloth with a specially designed resin system and the partial curing of that resin system; the assembling of laminates consisting of single or multiple plies of prepreg and copper foil in a clean-room environment; the vacuum lamination of the copper-clad assemblies under simultaneous exposure to heat, pressure and vacuum; and the finishing of the laminates to customer specifications.

Prepreg is manufactured in a treater. A treater is a roll-to-roll continuous machine which sequences specially designed fiberglass cloth or other reinforcement fabric into a resin tank and then sequences the resin-coated cloth through a series of ovens which partially cure the resin system into the cloth. This partially cured product or prepreg is then sheeted or paneled and packaged by the Company for sale to customers, or used by the Company to construct its copper-clad laminates.

The Company manufactures copper-clad laminates by first setting up in a clean room an assembly of one or more plies of prepreg stacked together with a sheet of specially manufactured copper foil on the top and bottom of the assembly. This assembly, together with a large quantity of other laminate assemblies, is then inserted into a large, multiple opening vacuum lamination press. The laminate assemblies are then laminated under simultaneous exposure to heat, pressure and vacuum. After the press cycle is complete, the laminates are removed from the press and sheeted, paneled and finished to customer specifications. The product is then inspected and packaged for shipment to the customer.

The Company manufactures multilayer printed circuit materials at four fully integrated facilities located in the United States, Europe and Southeast Asia. The Company opened its California facility in 1965, its Arizona facility in 1984, its Singapore facility in 1986 and its France facility in 1992. The Company services the North American market principally through its United States manufacturing facilities, the European market principally through its manufacturing facilities in the United States and in France, and the Asian market principally through its Singapore manufacturing facility. During the 2011 fiscal year, the Company modified certain of the equipment in its printed circuit materials manufacturing facility in Singapore so that it can treat PTFE based circuitry material in Asia; and during the 2014 fiscal year, the Company modified certain of the equipment in its facility in Singapore to support the production of PTFE laminates and other laminates requiring elevated process temperatures. In addition, during the 2012 fiscal year, the Company completed an expansion of its printed circuit materials treating operation in Singapore with the installation of an additional advanced, high-speed treater. By maintaining technical and engineering staffs at each of its manufacturing facilities, the Company is able to deliver fully-integrated products and services on a timely basis.

### Printed Circuit Materials – Materials and Sources of Supply



The principal materials used in the manufacture of the Company's printed circuit materials products are specially manufactured copper foil, fiberglass and quartz cloth and synthetic reinforcements, and specially formulated resins and chemicals. The Company develops and maintains close working relationships with suppliers of these materials who have dedicated themselves to complying with the Company's stringent specifications and technical requirements. While the Company's philosophy is to work with a limited number of suppliers, the Company has identified alternate sources of supply for many, but not all, of these materials. However, there are a limited number of qualified suppliers of these materials, in some cases substitutes for these materials are not always readily available, and, in the past, the industry has experienced shortages in the market for certain of these materials. While the Company considers its relationships with its suppliers to be strong, a shortage of these materials or a disruption of the supply of materials caused by a natural disaster, such as the temporary disruption caused by the earthquake and tsunami in Japan in March 2011, or otherwise, could materially increase the Company's cost of operations and could materially adversely affect the business and results of operations of the Company.

Significant increases in the cost of materials purchased by the Company could also have a material adverse effect on the Company's business and results of operations if the Company were unable to pass such increases through to its customers. During the 2014, 2013 and 2012 fiscal years, the Company experienced significant volatility in the cost of copper foil, one of the Company's primary raw materials, and the Company passed substantial portions of such increases through to its customers.

### Printed Circuit Materials – Competition

The multilayer printed circuit materials industry is characterized by intense competition and ongoing consolidation. The Company's competitors are primarily divisions or subsidiaries of very large, diversified multinational manufacturers which are substantially larger and have greater financial resources than the Company and, to a lesser degree, smaller regional producers. Because the Company focuses on the higher technology segment of the printed circuit materials market, technological innovation, quality and service, as well as price, are significant competitive factors.

The Company believes that there are several significant multilayer printed circuit materials manufacturers in the world and many of these competitors have significant presences in the three major global markets of North America, Europe and Asia. The Company believes that it is currently one of the world's largest advanced multilayer printed circuit materials manufacturers. The Company further believes it is one of only a few significant independent manufacturers of multilayer printed circuit materials in the world today.

The markets in which the Company's printed circuit materials operations compete are characterized by rapid technological advances, and the Company's position in these markets depends largely on its continued ability to develop technologically advanced and highly specialized products. Although the Company believes it is an industry technology leader and directs a significant amount of its time and resources toward maintaining its technological competitive advantage, there is no assurance that the Company will be technologically competitive in the future, or that the Company will continue to develop new products that are technologically competitive.

### Advanced Composite Materials, Parts and Assemblies

#### Advanced Composite Materials, Parts and Assemblies - Operations

The Company also develops and manufactures engineered, advanced composite materials and advanced composite parts and assemblies for the aerospace markets and prototype tooling for such parts and assemblies.

The Company's advanced composite materials are developed and manufactured by the Company's Park Aerospace Technologies Corp. ("PATC") business unit located at the Newton, Kansas Airport, by the Company's Nelco Products Pte. Ltd. business unit in Singapore and until it closed in the 2013 fiscal year third quarter, by the Company's Park Advanced Composite Materials, Inc. ("PACM") business unit located in Waterbury, Connecticut, which was named Nelcote, Inc. from May 2006 to March 2008 and which was named FiberCote Industries, Inc. prior to May 2006. The Company's advanced composite parts and assemblies are also developed and manufactured by the Company's PATC business unit.

In the 2012 fiscal year third quarter, the Company completed a major expansion of its PATC aerospace composite materials development and manufacturing facility in Kansas in order to manufacture aerospace composite parts and assemblies in the same facility as advanced composite materials, which are used in the manufacture of such parts and assemblies. The expansion consisted of approximately 37,000 square feet of manufacturing and storage space and included both oven and autoclave composite parts curing equipment and capability, and the Company spent approximately \$5 million on the facility expansion and equipment.

Following the expansion of PATC's facility, the Company transferred the aerospace composite parts and assemblies manufacturing activities of its Park Aerospace Structures Corp. ("PASC") business unit in Lynnwood, Washington to PATC and closed PASC in the 2012 fiscal year fourth quarter, and the Company transferred PACM's aerospace composite materials manufacturing activities to PATC and closed PACM in the 2013 fiscal year third quarter. The activities of PASC which were transferred to PATC included the assets and business of Nova Composites, Inc., which PASC acquired in April 2008.

Such transfer of aerospace composite materials manufacturing activities from PACM to PATC and the transfer of aerospace composite parts and assemblies manufacturing activities from PASC to PATC completed the Company's plan to concentrate and consolidate all of its North American aerospace composite materials, parts and assemblies manufacturing, development and design activities at PATC.

As a result of the PATC facility expansion and the transfer of manufacturing activities from PACM and PASC to PATC, PATC is able to offer a full range of advanced composite materials manufacturing capability, as well as composite parts design, assembly and production capability, all in its Newton facility. PATC offers composite aircraft and space vehicle parts design and assembly services, in addition to "build-to-print" services. The Company believes that the ability of its PATC facility to offer such a wide and comprehensive array of composite materials and parts manufacturing and development technology and capability to the aircraft and space vehicle industries provides attractive benefits and advantages to those industries.

#### Advanced Composite Materials, Parts and Assemblies – Industry Background

The advanced composite materials manufactured by the Company and its competitors are used primarily to fabricate light-weight, high-strength structures with specifically designed performance characteristics. Composite materials are typically highly specified combinations of resin formulations and reinforcements. Reinforcements can be unidirectional fibers, woven fabrics, or non-woven goods such as mats or felts. Reinforcement materials are constructed of E-glass (fiberglass), carbon fiber, S2 glass, aramids, such as Kevlar® ("Kevlar" is a registered trademark of E.I. du Pont de Nemours & Co.) and Twaron® ("Twaron" is a registered trademark of Teijin Twaron B.V. LLC), quartz, polyester and other synthetic materials. Resin formulations are typically highly proprietary, and include various chemical and physical mixtures. The Company produces resin formulations using various epoxies, polyesters, phenolics, cyanate esters, polyimides and other complex matrices. The reinforcement combined with the resin is

referred to as a “prepreg”, which is an acronym for pre-impregnated material. Advanced composite materials can be broadly categorized as either a thermoset or a thermoplastic. While both material types require the addition of heat to form a consolidated laminate, thermoplastics can be reformed using additional heat. Once fully cured, thermoset materials can not be further reshaped. The Company believes that the demand for thermoset advanced materials is greater than that for thermoplastics due to the fact that fabrication processes for thermoplastics require much higher temperatures and pressures and are, therefore, typically more capital intensive than the fabrication processes for thermoset materials.

The advanced composite materials industry suppliers have historically been large chemical corporations. During the past ten years, considerable consolidation has occurred in the industry, resulting in three relatively large composite materials suppliers and a number of smaller suppliers.

The Company works with aerospace original equipment manufacturers (“OEMs”), such as general aviation aircraft manufacturers, and certain tier I suppliers to qualify its advanced composite materials or parts and assemblies for use on current and upcoming programs. The Company’s customers typically design and specify a material specifically to meet the needs of the part’s end use and the customers’ processing methods. Such customers sometimes work with a supplier to develop the specific resin system and reinforcement combination to match the application. The Company’s customers’ processing, or the Company’s processing, may include hand lay-up, resin infusion or more advanced automated lay-up processes. Automated lay-up processes include automated tape lay-up, automated fiber placement and filament winding. These fabrication processes significantly alter the material form purchased. After the lay-up process is completed, the material is cured by the addition of heat and pressure. Cure processes typically include vacuum bag oven curing, high pressure autoclave, press forming and before-press curing. After the part has been cured, final finishing and trimming, and assembly of the structure, is performed by the fabricator or the Company.

#### Advanced Composite Materials, Parts and Assemblies – Products

The advanced composite materials products manufactured by the Company are primarily thermoset curing prepregs. By analyzing the needs of the markets in which it participates, and working with its customers, the Company has developed proprietary resin formulations to suit the needs of its markets. The complex process of developing resin formulations and selecting the proper reinforcement is accomplished through a collaborative effort of the Company’s research and development and technical sales and marketing resources working with the customers’ technical staff. The Company focuses on developing a thorough understanding of its customers’ businesses, product lines, processes and technical challenges. The Company believes that it develops innovative solutions which utilize technologically advanced materials and concepts for its customers.

The Company’s advanced composite materials products include prepregs manufactured from proprietary formulations using modified epoxies, phenolics, polyesters, cyanate esters and polyimides combined with woven, non-woven and unidirectional reinforcements. Reinforcement materials used to produce the Company’s products include polyacrylonitrile (“PAN”) based carbons, E-glass, S2 glass, polyester, quartz, carbonized rayon, carbon fiber, aramids, such as Kevlar® (“Kevlar” is a registered trademark of E.I. du Pont de Nemours & Co.), Twaron® (“Twaron” is a registered trademark of Teijin Twaron B.V. LLC), polyester and other synthetic materials. The Company also sells certain specialty fabrics, such as Raycarb C2, a carbonized rayon fabric produced by Herakles (formerly Snecma Propulsion Solide) and used mainly in the rocket motor industry.



The Company's composite parts and assemblies are manufactured with carbon, fiberglass and other reinforcements impregnated with formulated resins. Certain of these impregnated reinforcements, or prepregs, are also manufactured by PATC.

#### Advanced Composite Materials, Parts and Assemblies – Customers and End Markets

The Company's advanced composite materials, parts and assemblies customers include manufacturers in the aerospace, fixed and rotary wing aircraft, rocket motor, electronics, RF and specialty industrial markets. The Company's materials are marketed primarily by sales personnel and, to a lesser extent, by independent sales representatives.

While no single advanced composite materials, parts and assemblies customer accounted for 10% or more of the Company's total sales during either of the last two fiscal years, the loss of a major customer or of a group of some of the largest customers of the Company's advanced composite materials, parts and assemblies product line could have a material adverse effect on such product line.

The Company's aerospace customers include fabricators of aircraft composite parts and assemblies. The Company's advanced composite materials are used by such fabricators and by the Company to produce primary and secondary structures, aircraft interiors and various other aircraft components. The Company's customers for aerospace materials, and the Company itself, produce parts and assemblies for commercial aircraft and for the general aviation and business aviation, kit aircraft and military markets. Many of the Company's composite materials are used in the manufacture of aircraft certified by the Federal Aviation Administration (the "FAA").

Customers for the Company's rocket motor materials include United States defense prime contractors and subcontractors. These customers fabricate rocket motors for heavy lift space launchers, strategic defense weapons, tactical motors and various other applications. The Company's materials are used to produce heat shields, exhaust gas management devices and insulative and ablative nozzle components. Rocket motors are primarily used for commercial and military space launch, and for tactical and strategic weapons. The Company also has customers for these materials outside of the United States.

The Company also sells composite materials for use in RF electrical applications. Customers buying these materials typically fabricate antennas and radomes engineered to preserve electrical signal integrity. A radome is a protective cover over an electrical antenna or signal generator. The radome is designed to minimize signal loss and distortion.

#### Advanced Composite Materials, Parts and Assemblies – Manufacturing



The Company's manufacturing facilities for advanced composite materials are currently located in Newton, Kansas and in Singapore, and its manufacturing facility for composite parts and assemblies is also located in Newton, Kansas. See "Advanced Composite Materials, Parts and Assemblies - Operations" elsewhere in this Report.

The process for manufacturing composite materials, parts and assemblies is capital intensive and requires sophisticated equipment, significant technical know-how and very tight process controls. The key steps used in the manufacturing process include resin mixing, reinforcement impregnation, resin film casting and solvent drying processes.

Prepreg is manufactured by the Company using either solvent (solution) coating methods on a treater or by hot melt impregnation. A solution treater is a roll-to-roll continuous process machine which sequences reinforcement through tension controllers and combines solvated resin with the reinforcement. The reinforcement is dipped in resin, passed through a drying oven which removes the solvent and advances (or partially cures) the resin. The prepreg material is interleaved with a carrier and cut to the roll lengths desired by the customer. The Company also manufactures prepreg using hot melt impregnation methods which use no solvent. Hot melt prepreg manufacturing is achieved by mixing a resin formulation in a heated resin vessel, casting a thin film on a carrier paper, and laminating the reinforcement with the resin film.

The Company also completes additional processing services, such as slitting, sheeting, biasing, sewing and cutting, if needed by the customer. Many of the products manufactured by the Company also undergo extensive testing of the chemical, physical and mechanical properties of the product. These testing requirements are completed in the laboratories and facilities located at the Company's manufacturing facilities. The Company's laboratories have been approved by several aerospace OEMs, and the Company has achieved certification pursuant to the National Aerospace and Defense Contractors Accreditation Program ("NADCAP") for both non-metallic materials manufacturing and testing and composites fabrication. After all the processing has been completed, the product is inspected and packaged for shipment to the customer. The Company typically supplies final product to the customer in roll or sheet form. The Company's PATC facility has received accreditation by NADCAP for composite parts manufacturing and for composite materials manufacturing, and the Company believes that the PATC facility is one of the few facilities in the world with NADCAP accreditation for manufacturing both composite materials and composite parts.

#### Advanced Composite Materials, Parts and Assemblies – Materials and Sources of Supply

The Company designs and manufactures its advanced composite materials to its own specifications and to the specifications of its customers. Product development efforts are focused on developing prepreg materials that meet the specifications of the customers. The materials used in the manufacture of these engineered materials include graphite and carbon fibers and fabrics, aramids, such as Kevlar® ("Kevlar" is a registered trademark of E.I. du Pont de Nemours & Co.) and Twaron® ("Twaron" is a registered trademark of Teijin Twaron B.V. LLC), quartz, fiberglass, polyester, specialty chemicals, resins, films, plastics, adhesives and certain other synthetic materials. The Company purchases these materials from several suppliers. Substitutes for many of these materials are not readily available. The qualification and certification of advanced composite materials for certain FAA certified aircraft typically include specific requirements for raw material supply and may restrict the Company's flexibility in qualifying alternative sources of supply for certain key raw materials. The Company continues to work to determine acceptable alternatives for several raw materials.

The Company manufactures composite parts and assemblies primarily to its customers' specifications using its own composite materials or composite materials supplied by third parties, based on the specific requirements of the Company's customers.

Advanced Composite Materials, Parts and Assemblies – Competition

The Company has many competitors in the advanced composite materials, parts and assemblies markets, ranging in size from large international corporations to small regional producers. Several of the Company's largest competitors are vertically integrated, producing raw materials, such as carbon fiber and cloth, as well as composite parts and assemblies. Some of the Company's competitors may also serve as a supplier to the Company. The Company competes for business on the basis of responsiveness, product performance, product qualification, FAA data base design allowables, innovative new product development and price.

### **Backlog**

The Company considers an item as backlog when it receives a purchase order specifying the number of units to be purchased, the purchase price, specifications and other customary terms and conditions. At April 27, 2014, the unfilled portion of all purchase orders received by the Company and believed by it to be firm was approximately \$33,755,000, compared to \$9,174,000 at April 28, 2013.

Various factors contribute to the size of the Company's backlog. Accordingly, the foregoing information may not be indicative of the Company's results of operations for any period subsequent to the fiscal year ended March 2, 2014.

### **Patents and Trademarks**

The Company holds several patents and trademarks or licenses thereto. In the Company's opinion, some of these patents and trademarks are important to its products. Generally, however, the Company does not believe that an inability to obtain new; or to defend existing, patents and trademarks would have a material adverse effect on the Company.

### **Employees**

At March 2, 2014, the Company had 523 employees. Of these employees, 457 were engaged in the Company's manufacturing operations, and 66 consisted of executive, sales and marketing and research and development personnel and general administrative staff.

### **Environmental Matters**

The Company is subject to stringent environmental regulation of its use, storage, treatment and disposal of hazardous materials and the release of emissions into the environment. The Company believes that it currently is in substantial compliance with the applicable Federal, state and local and foreign environmental laws and regulations to which it is subject and that continuing compliance therewith will not have a material effect on its capital expenditures, earnings or competitive position. The Company does not currently anticipate making material capital expenditures for environmental control facilities for its existing manufacturing operations during the remainder of its current fiscal year or its succeeding fiscal year. However, developments, such as the enactment or adoption of even more stringent

environmental laws and regulations, could conceivably result in substantial additional costs to the Company.

The Company and certain of its subsidiaries have been named by the Environmental Protection Agency (the “EPA”) or a comparable state agency under the Comprehensive Environmental Response, Compensation and Liability Act (the “Superfund Act”) or similar state law as potentially responsible parties in connection with alleged releases of hazardous substances at four sites. In addition, a subsidiary of the Company has received a cost recovery claim under a state law similar to the Superfund Act from a private party involving one other site.

Under the Superfund Act and similar state laws, all parties who may have contributed any waste to a hazardous waste disposal site or contaminated area identified by the EPA or comparable state agency may be jointly and severally liable for the cost of cleanup. Generally, these sites are locations at which numerous persons disposed of hazardous waste. In the case of the Company's subsidiaries, generally the waste was removed from their manufacturing facilities and disposed at the waste sites by various companies which contracted with the subsidiaries to provide waste disposal services. Neither the Company nor any of its subsidiaries has been accused of or charged with any wrongdoing or illegal acts in connection with any such sites. The Company believes it maintains an effective and comprehensive environmental compliance program. Management believes the ultimate disposition of known environmental matters will not have a material adverse effect on the liquidity, capital resources, business, consolidated results of operations or financial position of the Company.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Environmental Matters" included in Item 7 of Part II of this Report and Note 13 of the Notes to Consolidated Financial Statements included in Item 8 of Part II of this Report.

#### **ITEM 1A. RISK FACTORS.**

The business of the Company faces numerous risks, including those set forth below or those described elsewhere in this Form 10-K Annual Report or in the Company's other filings with the Securities and Exchange Commission. The risks described below are not the only risks that the Company faces, nor are they necessarily listed in order of significance. Other risks and uncertainties may also affect the Company's business. Any of these risks may have a material adverse effect on the Company's business, financial condition, results of operations or cash flow.

*The industries in which the Company operates are undergoing technological changes, and the Company's business could suffer if the Company is unable to adjust to these changes.*

The Company's operating results could be negatively affected by the Company's inability to maintain and increase its technological and manufacturing capability and expertise. Rapid technological advances in semiconductors and electronic equipment have placed rigorous demands on the printed circuit materials manufactured by the Company and used in printed circuit board production.

*The industries in which the Company operates are very competitive.*

Certain of the Company's principal competitors are substantially larger and have greater financial resources than the Company, and the Company's operating results will be affected by its ability to maintain its competitive positions in these industries. The printed circuit materials, advanced composite materials and composite parts and assemblies industries are intensely competitive and the Company competes worldwide in the markets for such products.

*The Company is vulnerable to an increase in the cost of gas or electricity.*

Changes in the cost or availability of gas or electricity could materially increase the Company's cost of operations. The Company's production processes require the use of substantial amounts of gas and electricity, the cost and available supply of which are beyond the control of the Company.

The Company's cost of sales and results of operations were affected by increases in utility costs in the Company's fiscal year ended February 26, 2012. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 of Part II of this Report.

***The Company is vulnerable to disruptions and shortages in the supply of, and increases in the prices of, certain raw materials.***

There are a limited number of qualified suppliers of the principal materials used by the Company in its manufacture of printed circuit materials, advanced composite materials and composite parts and assemblies. The Company has qualified alternate sources of supply for many, but not all, of its raw materials, but certain raw materials are produced by only one supplier. In some cases, substitutes for certain raw materials are not always readily available, and in the past there have been shortages in the market for certain of these materials. Raw material substitutions for certain aircraft related products may require governmental (such as Federal Aviation Administration) approval. While the Company considers its relationships with its suppliers to be strong, a shortage of these materials or a disruption of the supply of these materials caused by a natural disaster, such as the earthquake and tsunami in Japan in March 2011, or otherwise could materially increase the Company's cost of operations and could materially adversely affect the business and results of operations of the Company. Likewise, significant increases in the cost of materials purchased by the Company could also materially increase the Company's cost of operations and could have a material adverse effect on the Company's business and results of operations if the Company were unable to pass such increases through to its customers. The Company experienced a supply chain issue as a result of the earthquake and tsunami in Japan in March 2011. Such issue was resolved during the 2012 fiscal year third quarter.

During the 2012, 2013 and 2014 fiscal years, the Company experienced significant volatility in the cost of copper foil, one of the Company's primary raw materials, and the Company passed substantial portions of such increases through to its customers. See "Business—Printed Circuit Materials—Materials and Sources of Supply" in Item 1 of Part I of this Report and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 of Part II of this Report.

***The Company's customer base is highly concentrated, and the loss of one or more customers could adversely affect the Company's business.***

A loss of one or more key customers could adversely affect the Company's profitability. The Company's customer base is concentrated, in part, because the Company's business strategy has been to develop long-term relationships with a select group of customers. During the Company's fiscal years ended March 2, 2014, March 3, 2013 and February 26, 2012, the Company's ten largest customers accounted for approximately 59%, 63% and 64%, respectively, of net sales. The Company expects that sales to a relatively small number of customers will continue to account for a significant portion of its net sales for the foreseeable future. See "Business—Printed Circuit Materials—Customers and End Markets" and "Business—Advanced Composite Materials, Parts and Assemblies—Customers



and End Markets” in Item 1 of Part I of this Report.

*The Company's business is dependent on the electronics and aerospace industries, which are cyclical in nature.*

The electronics and aerospace industries are cyclical and have experienced recurring cycles. The downturns, such as occurred in the electronics industry during the first quarter of the Company's fiscal year ended March 3, 2002 and in the general aviation industry in the fourth quarter of the Company's 2009 fiscal year, can be unexpected and have often reduced demand for, and prices of, printed circuit materials and advanced composite materials, parts and assemblies. This potential reduction in demand and prices could have a negative impact on the Company's business.

In addition, the Company is subject to the effects of general regional and global economic and financial conditions, such as the worldwide economic and financial crises that commenced in the second half of the Company's fiscal year ended March 1, 2009.

***The Company relies on short-term orders from its customers.***

A variety of conditions, both specific to the individual customer and generally affecting the customer's industry, can cause a customer to reduce or delay orders previously anticipated by the Company, which could negatively impact the Company's business. In the printed circuit materials market, the Company typically does not obtain long-term purchase orders or commitments. Instead, it relies primarily on continual communication with its customers to anticipate the future volume of purchase orders.

***The Company's customers may require the Company to undergo a lengthy and expensive qualification process with respect to its products, with no assurance of sales. Any delay or failure in such qualification process could negatively affect the Company's business and operating results.***

The Company's customers frequently require that the Company's products undergo an extensive qualification process, which may include testing for performance, structural integrity and reliability. This qualification process may be lengthy and does not assure any sales of the product to that customer. The Company devotes substantial resources, including design, engineering, sales, marketing and management efforts, and often substantial expense, to qualifying the Company's products with customers in anticipation of sales. Any delay or failure in qualifying any of its products with a customer may preclude or delay sales of those products to the customer, which may impede the Company's growth and cause its business to suffer.

In addition, the Company engages in product development efforts with OEMs. The Company will not recover the cost of this product development directly even if the Company actually produces and sells any resulting product. There can be no guarantee that such efforts will result in any sales.

***Consolidation among the Company's customers could negatively impact the Company's business.***

A number of the Company's customers have combined in recent years and consolidation of other customers may occur. If an existing customer is not the controlling entity following a combination, the Company may not be retained as a supplier. While there is potential for increasing the Company's position with the combined customer, the Company's revenues may decrease if the Company is not retained as a supplier.

*The Company faces extensive capital expenditure costs.*

The Company's business is capital intensive and, in addition, the introduction of new technologies could substantially increase the Company's capital expenditures. In order to remain competitive the Company must continue to make significant investments in capital equipment and expansion of operations, which could adversely affect the Company's results of operations.

***The Company's international operations are subject to different and additional risks than the Company's domestic operations.***

The Company's international operations are subject to various risks, including unexpected changes in regulatory requirements, foreign currency exchange rates, tariffs and other barriers, political and economic instability, potentially adverse tax consequences, and any impact on economic and financial conditions around the world resulting from geopolitical conflicts or acts of terrorism, all of which could negatively impact the Company's business. A portion of the sales and costs of the Company's international operations are denominated in currencies other than the U.S. dollar and may be affected by fluctuations in currency exchange rates.

***The Company is subject to a variety of environmental regulations.***

The Company's production processes require the use, storage, treatment and disposal of certain materials which are considered hazardous under applicable environmental laws, and the Company is subject to a variety of regulatory requirements relating to the handling of such materials and the release of emissions and effluents into the environment, non-compliance with which could have a negative impact on the Company's business or consolidated results of operations. Other possible developments, such as the enactment or adoption of additional environmental laws, could result in substantial costs to the Company.

***If the Company's efforts to protect its trade secrets are not sufficient, the Company may be adversely affected.***

The Company's business relies upon proprietary information, trade secrets and know-how in its product formulations and its manufacturing and research and development activities. The Company takes steps to protect its proprietary rights and information, including the use of confidentiality and other agreements with employees and consultants and in commercial relationships, including with distributors and customers. If these steps prove to be inadequate or are violated, the Company's competitors might gain access to the Company's trade secrets, and there may be no adequate remedy available to the Company.

***The Company depends upon the experience and expertise of its senior management team and key technical employees, and the loss of any key employee may impair the Company's ability to operate effectively.***

The Company's success depends, to a certain extent, on the continued availability of its senior management team and key technical employees. Each of the Company's executive officers, key technical personnel and other employees could terminate his or her employment at any time. The loss of any member of the Company's senior management

team might significantly delay or prevent the achievement of the Company's business objectives and could materially harm the Company's business and customer relationships. In addition, because of the highly technical nature of the Company's business, the loss of any significant number of the Company's key technical personnel could have a material adverse effect on the Company.

**ITEM 1B. UNRESOLVED STAFF COMMENTS.**

None.

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**ITEM 2. PROPERTIES.**

Set forth below are the locations of the significant properties owned and leased by the Company, the businesses which use the properties and the size of each such property. All of such properties, except for the Melville, New York property, are used principally as manufacturing and warehouse facilities.

<b>Location</b>	<b>Owned or Leased</b>	<b>Use</b>	<b>Size (Square Footage)</b>
Melville, NY	Leased	Administrative Offices	8,000
Fullerton, CA	Leased	Printed Circuit Materials	95,000
Anaheim, CA	Leased	Printed Circuit Materials	26,000
Tempe, AZ	Leased	Printed Circuit Materials	81,000
Lannemezan, France	Owned	Printed Circuit Materials	29,000
Singapore	Leased	Printed Circuit Materials	88,000
Newton, KS	Leased	Advanced Composite Materials, Parts and Assemblies	89,000
Singapore	Leased	Advanced Composite Materials	21,000

The Company believes its facilities and equipment to be in good condition and reasonably suited and adequate for its current needs. Most of the Company's manufacturing facilities have the capacity to substantially increase their production levels.

In the 2013 fiscal year third quarter, the Company closed its PACM facility, located in Waterbury, Connecticut, after the completion of the transfer of PACM's aerospace composite materials manufacturing activities to PATC. In the 2013 fiscal year second quarter, the Company closed its Nelco Technology (Zhuhai FTZ) Ltd. facility located in the Free Trade Zone in Zhuhai, China and transferred the manufacturing activities conducted by such business unit to the Company's Nelco Products Pte. Ltd. business unit located in Singapore.

In the third quarter of the Company's 2012 fiscal year, the Company completed a major expansion of its aerospace composite materials development and manufacturing facility in Newton, Kansas in order to manufacture aerospace composite parts and assemblies in the same facility as advanced composite materials, which are used in the manufacture of such parts and assemblies. The expansion consisted of approximately 37,000 square feet of manufacturing and storage space, and the Company spent approximately \$5 million on the facility expansion and equipment. See "Advanced Composite Materials, Parts and Assemblies" elsewhere in this Report.

**ITEM 3. LEGAL PROCEEDINGS.**

None.

**ITEM 4. MINE SAFETY DISCLOSURES.**

None.

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**Executive Officers of the Registrant.**

<u>Name</u>	<u>Title</u>	<u>Age</u>
Brian E. Shore	Chief Executive Officer, President and a Director	62
Stephen E. Gilhuley	Executive Vice President-Administration and Secretary	69
Christopher T. Mastrogiacomo	Executive Vice President and Chief Operating Officer	56
Stephen M. Banker	Vice President and General Counsel	62
P. Matthew Farabaugh	Vice President and Chief Financial Officer	53
John Jongebloed	Vice President- Aerospace	57

Mr. Shore has served as a Director of the Company since 1983 and as Chairman of the Board of Directors since July 2004. He was elected a Vice President of the Company in January 1993, Executive Vice President in May 1994, President in March 1996, and Chief Executive Officer in November 1996. Mr. Shore also served as General Counsel of the Company from April 1988 until April 1994.

Mr. Gilhuley was elected Executive Vice President – Administration on April 5, 2012, and he has been Secretary of the Company since July 1996. Prior to April 5, 2012, he had been Executive Vice President of the Company since October 2006 and Senior Vice President from March 2001 to October 2006. He also was General Counsel of the Company from April 1994 to October 31, 2011, when he was succeeded by Mr. Banker.

Mr. Mastrogiacomo was elected Executive Vice President and Chief Operating Officer on June 1, 2011 after having served as Senior Vice President of Strategic Marketing since December 8, 2010. Prior to joining the Company as Vice President of Strategic Marketing in September 2010, Mr. Mastrogiacomo held senior management positions with Sanmina-SCI Corporation, a leading electronics contract manufacturing services company, and its predecessor, Hadco Corporation, a major manufacturer of advanced electronic interconnect systems. Since 2008, Mr. Mastrogiacomo was Senior Vice President, Printed Wiring Board (USA) of Sanmina-SCI Corporation; from 2004 to 2008, he was Senior Vice President of Operations, the Americas Enclosures Systems of Sanmina-SCI; and from 2000 to 2004, he was Senior Vice President, Printed Wiring Board Operations of Sanmina-SCI. During the twelve years prior to 1997, he held several management positions with Hadco Corporation.

Mr. Banker was elected Vice President and General Counsel on October 31, 2011. Prior to joining the Company, Mr. Banker had been a lawyer in the Skadden, Arps, Slate, Meagher & Flom LLP law firm in New York City since 1977 and a partner in the firm since 1985. Mr. Banker resigned as Vice President and General Counsel effective May 2, 2014.





Mr. Farabaugh was elected Vice President and Chief Financial Officer on April 9, 2012. He had been Vice President and Controller of the Company since October 2007. Prior to joining Park, Mr. Farabaugh was Corporate Controller of American Technical Ceramics, a publicly traded international company and a manufacturer of electronic components, located in Huntington Station, New York, from 2004 to September 2007 and Assistant Controller from 2000 to 2004. Prior thereto, Mr. Farabaugh was Assistant Controller of Park Electrochemical Corp. from 1989 to 2000. Prior to joining Park in 1989, Mr. Farabaugh had been a senior accountant with KPMG.

Mr. Jongebloed was appointed Vice President- Aerospace of the Company in April 2013. Mr. Jongebloed was also appointed as President of the Company's PATC business unit in Newton, Kansas. Mr. Jongebloed has been employed by the Company and its subsidiaries in various positions since 1989. He was President of the Company's New England Laminates Co, Inc. business unit in Newburgh, New York from 1999 until January 2009 and President of the Company's PACM business unit in Waterbury, Connecticut from 2007 until December 2012. Mr. Jongebloed was also appointed Vice President of Global Logistics of the Company in April 2000 and Senior Vice President of Global Logistics from July 2001 to January 2006. He was appointed Vice President of Business Development of the Company in January 2013.

There are no family relationships between the directors or executive officers of the Company.

Each executive officer of the Company serves at the pleasure of the Board of Directors of the Company.

**PART II****ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.**

The Company's Common Stock is listed and trades on the New York Stock Exchange (trading symbol PKE). (The Common Stock also trades on the Chicago Stock Exchange.) The following table sets forth, for each of the quarterly periods indicated, the high and low sales prices for the Common Stock as reported on the New York Stock Exchange Composite Tape and dividends declared on the Common Stock.

<b>For the Fiscal Year Ended</b>	<b>Stock Price</b>		<b>Dividends</b>
	<b>High</b>	<b>Low</b>	<b>Declared</b>
<b>March 2, 2014</b>			
First Quarter	\$26.41	\$22.31	\$ 0.10
Second Quarter	28.43	23.08	0.10
Third Quarter	30.18	26.32	0.10
Fourth Quarter	30.64	24.88	2.60 (a)

<b>For the Fiscal Year Ended</b>	<b>Stock Price</b>		<b>Dividends</b>
	<b>High</b>	<b>Low</b>	<b>Declared</b>
<b>March 3, 2013</b>			
First Quarter	\$31.34	\$22.89	\$ 0.10
Second Quarter	28.88	22.64	0.10
Third Quarter	28.10	22.54	0.10
Fourth Quarter	28.54	23.41	2.60 (b)

(a) During the 2014 fiscal year fourth quarter, the Company declared its regular quarterly cash dividend of \$0.10 per share in December 2013, payable February 3, 2014 to shareholders of record on January 3, 2014, and declared a special cash dividend of \$2.50 per share in January 2014, payable February 25, 2014 to shareholders of record on February 11, 2014.

(b) During the 2013 fiscal year fourth quarter, the Company declared its regular quarterly cash dividend of \$0.10 per share in December 2012, payable February 4, 2013 to shareholders of record on January 4, 2013, and declared a special cash dividend of \$2.50 per share in January 2013, payable February 26, 2013 to shareholders of record on February 12, 2013.

As of May 9, 2014, there were 641 holders of record of Common Stock.

The Company expects, for the immediate future, to continue to pay regular cash dividends.

The following table provides information with respect to shares of the Company's Common Stock acquired by the Company during each month included in the Company's 2014 fiscal year fourth quarter ended March 2, 2014.

Period	Total Number of Shares (or Units) Purchased	Average Price Paid Per Share (or Unit)	Total Number of Shares (or Units) Purchased	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
			As Part of Publicly Announced Plans or Programs	
December 2 - January 2	0	\$ -	0	
January 2 - February 2	0	-	0	
February 2 - March 2	2	27.38	0	
<b>Total</b>	<b>2</b>	<b>\$ 27.38</b>	<b>0</b>	<b>996,095 (a)</b>

(a) Aggregate number of shares available to be purchased by the Company pursuant to a share purchase authorization announced on October 18, 2012. Pursuant to such authorization,

the Company is authorized to purchase its shares from time to time on the open market or in privately negotiated transactions.

**ITEM 6. SELECTED FINANCIAL DATA.**

The following selected consolidated financial data of Park and its subsidiaries is qualified by reference to, and should be read in conjunction with, the Consolidated Financial Statements, related Notes, and Management's Discussion and Analysis of Financial Condition and Results of Operations contained elsewhere herein. Insofar as such consolidated financial information relates to the five fiscal years ended March 2, 2014 and is as of the end of such periods, it is derived from the Consolidated Financial Statements for the five fiscal years ended March 2, 2014 and as of such dates audited by Grant Thornton LLP, independent registered public accounting firm. The Consolidated Financial Statements as of March 2, 2014 and March 3, 2013, and for the three years ended March 2, 2014, together with the independent auditor's report for the three years ended March 2, 2014, appear in Item 8 of Part II of this Report.

**Fiscal Year Ended**  
**(Amounts in thousands, except per share amounts)**

<b>March 2,</b>	<b>March 3,</b>	<b>February</b>	<b>February</b>	<b>February</b>
<b>2014</b>	<b>2013</b>	<b>26,</b>	<b>27,</b>	<b>28,</b>
<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>

**STATEMENT OF EARNINGS INFORMATION**

Net Sales	\$165,764	\$176,416	\$193,254	\$211,652	\$175,686
Cost of sales	117,664	125,866	138,512	141,751	124,084
<b>Gross profit</b>	<b>48,100</b>	<b>50,550</b>	<b>54,742</b>	<b>69,901</b>	<b>51,602</b>
Selling, general and administrative expenses	25,168	26,595	28,247	27,917	24,480
Restructuring charges	546	3,703	1,250	1,312	-
<b>Earnings from operations</b>	<b>22,386</b>	<b>20,252</b>	<b>25,245</b>	<b>40,672</b>	<b>27,122</b>
Interest expense	764	14	-	-	-
Interest and other income	460	647	808	645	1,062
Litigation and insurance settlements	-	-	1,598	-	-
<b>Earnings before income taxes</b>	<b>22,082</b>	<b>20,885</b>	<b>27,651</b>	<b>41,317</b>	<b>28,184</b>
Income tax provision	64,411	3,924	4,209	8,696	2,825
<b>Net (loss) earnings</b>	<b>\$(42,329)</b>	<b>\$16,961</b>	<b>\$23,442</b>	<b>\$32,621</b>	<b>\$25,359</b>

**Earnings per share:**

Basic (loss) earnings per share	\$(2.03 )	\$0.82	\$1.13	\$1.58	\$1.24
Diluted (loss) earnings per share	\$(2.03 )	\$0.81	\$1.13	\$1.58	\$1.23
Cash dividends per common share	\$2.90	\$2.90	\$0.40	\$1.40	\$0.36

**Weighted average number of common shares outstanding:**

Basic	20,849	20,801	20,746	20,628	20,522
Diluted	20,849	20,823	20,792	20,675	20,547

**BALANCE SHEET INFORMATION**

Working capital	\$286,997	\$303,996	\$290,149	\$271,706	\$261,036
Total assets	377,093	369,658	365,988	353,808	343,104
Long-term debt	94,000	52,000	-	-	-
Stockholders' equity	200,543	299,922	343,211	325,308	316,098

See notes to Consolidated Financial Statements in Item 8 of Part II of this Report.

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

### General:

Park Electrochemical Corp. ("Park" or the "Company") is a global advanced materials company which develops, manufactures, markets and sells high-technology digital and RF/microwave printed circuit materials products principally for the telecommunications and internet infrastructure and high-end computing markets and advanced composite materials, parts and assemblies products for the aerospace markets. Park's core capabilities are in the areas of polymer chemistry formulation and coating technology. The Company's manufacturing facilities are located in Singapore, France, Kansas, Arizona and California. The Company also maintains research and development facilities in Arizona, Kansas and Singapore.

The Company's fiscal year is the 52 or 53 week period ending the Sunday nearest to the last day of February. The 2014, 2013 and 2012 fiscal years ended on March 2, 2014, March 3, 2013 and February 26, 2012, respectively. The 2014, 2013 and 2012 fiscal years consisted of 52, 53 and 52 weeks, respectively. **Unless otherwise indicated in this Discussion and Analysis, all reference to years in this Discussion and Analysis are to the Company's fiscal years and all annual information in this Discussion and Analysis is for such fiscal years.**

The comparisons of the Company's results of operations for 2014 and 2012 to the Company's results of operations for 2013 are impacted by the facts that the 2014 and 2012 fiscal years consisted of 52 weeks and the 2013 fiscal year consisted of 53 weeks.

### 2014 Financial Overview

The Company's total net sales worldwide in 2014 were 6% lower than in 2013 primarily as a result of lower sales of the Company's printed circuit materials products in North America, Asia and Europe. The Company's sales of aerospace composite materials, parts and assemblies were higher in 2014 than in 2013. The decline in sales of printed circuit materials products resulted in lower gross profit in 2014 compared to 2013. However, the Company's gross profit margin, measured as a percentage of sales, improved to 29.0% in 2014 from 28.7% in 2013 due primarily to the benefits from higher percentages of sales of higher margin, high performance printed circuit materials products in 2014 than in 2013 and to the improved operating performance of the Company's Park Aerospace Technologies Corp. ("PATC") business unit in Newton, Kansas in 2014 following the consolidation of the Company's aerospace activities at such business unit, which resulted in the elimination of the additional, and in some instances duplicative, expenses associated with operating two facilities during the consolidation.





The Company's earnings from operations in 2014 were 11% higher than in 2013 primarily as a result of a reduction in restructuring charges, lower legal fees and expenses and the elimination of the additional, and in some instances duplicative, expenses associated with the aerospace consolidation discussed above. The earnings from operations in 2014 were adversely impacted by a pre-tax charge related to the modification of previously issued employee stock options resulting from the special cash dividend paid by the Company in February 2014 and a financial advisory services retention fee. The Company's net earnings in 2014 were lower than in 2013 primarily as a result of a non-cash charge of \$64.0 million for the accrual of U.S. deferred income taxes on the undistributed earnings of the Company's subsidiary in Singapore. The charge included \$34.4 million related to the U.S. income tax that would be payable if the Company were to repatriate funds in an after-tax amount necessary to repay the Company's existing \$104.0 million principal amount bank loan from PNC Bank, further described below, and \$29.6 million relating to the remainder of the undistributed earnings of the Company's subsidiary in Singapore. The charge was partially offset by a tax benefit of \$2.2 million recorded by the Company in the 2014 second quarter in connection with a tax refund related to amended federal income tax returns. The Company has no current plan to repatriate the undistributed earnings of its subsidiary in Singapore.

On February 12, 2014, the Company entered into a four-year amended and restated revolving credit facility agreement (the "Amended Credit Agreement") with PNC Bank, National Association. The Amended Credit Agreement provides for loans up to \$104.0 million to the Company and letters of credit up to \$2.0 million for the account of the Company. To date, the Company has borrowed \$52.0 million to finance a special dividend paid to shareholders of the Company in the fourth quarter of 2014 and an additional \$52.0 million to continue the loan that was provided under the prior agreement entered into during the fourth quarter of 2013.

The global markets for the Company's printed circuit materials products continue to be very difficult to forecast, and it is not clear to the Company what the condition of the global markets for the Company's printed circuit materials products will be in 2015 or beyond. Further, the Company is not able to predict the impact the current global economic and financial conditions will have on the markets for its aerospace composite materials, parts and assemblies in 2015 or beyond.

**Results of Operations:**Fiscal Year 2014 Compared with Fiscal Year 2013

(amounts in thousands, except per share amounts)	Fiscal Year Ended		Increase / (Decrease)		
	2014	2013			
Net sales	\$165,764	\$176,416	\$(10,652)	-6	%
Cost of sales	117,664	125,866	(8,202)	-7	%
<b>Gross profit</b>	<b>48,100</b>	<b>50,550</b>	<b>(2,450)</b>	<b>-5</b>	<b>%</b>
Selling, general and administrative expenses	25,168	26,595	(1,427)	-5	%
Restructuring charges	546	3,703	(3,157)	-85	%
<b>Earnings from operations</b>	<b>22,386</b>	<b>20,252</b>	<b>2,134</b>	<b>11</b>	<b>%</b>
Interest expense	764	14	750	5357	%
Interest and other income	460	647	(187)	-29	%
<b>Earnings before income taxes</b>	<b>22,082</b>	<b>20,885</b>	<b>1,197</b>	<b>6</b>	<b>%</b>
Income tax provision	64,411	3,924	60,487	1541	%
<b>Net (loss) earnings</b>	<b>\$(42,329)</b>	<b>\$16,961</b>	<b>\$(59,290)</b>	<b>-350</b>	<b>%</b>
<b>Earnings per share:</b>					
Basic (loss) earnings per share	\$(2.03)	\$0.82	\$(2.85)	-348	%
Diluted (loss) earnings per share	\$(2.03)	\$0.81	\$(2.84)	-351	%

*Net Sales*

The Company's total net sales worldwide in 2014 decreased 6% from 2013 as a result of lower unit volumes of printed circuit materials products shipped to the Company's customers in North America, Asia and Europe. The lower sales of printed circuit materials products sold by the Company in 2014 was partially offset by higher sales of aerospace composite materials, parts and assemblies products by the Company's operations in North America, Asia and Europe. The Company's total net sales of its printed circuit materials products were \$135.4 million in 2014 and \$150.6 million in 2013 and comprised 82% and 85% of the Company's total net sales worldwide in 2014 and 2013, respectively. The Company's total net sales of its aerospace composite materials, parts and assemblies products were \$30.4 million in 2014 and \$25.9 million in 2013 and comprised 18% and 15% of the Company's total net sales worldwide in 2014 and 2013, respectively.

The Company's foreign sales were \$83.6 million, or 50% of the Company's total net sales worldwide, during 2014 compared to \$95.4 million of sales, or 54% of total net sales worldwide during 2013. The Company's foreign sales

during 2014 declined 12% from 2013 as a result of lower sales in Asia and Europe.

The Company's sales in North America, Asia and Europe were 50%, 43% and 7%, respectively, of the Company's total net sales worldwide in 2014 compared to 46%, 45% and 9%, respectively, in 2013. The Company's sales in North America increased 2%, its sales in Asia decreased 9% and its sales in Europe decreased 31% in 2014 compared to 2013.

During 2014, 88% of the Company's total net sales worldwide of printed circuit materials consisted of high performance printed circuit materials, compared to 82% for 2013.

The Company's high performance printed circuit materials (non-FR4 printed circuit materials) include high-speed, low-loss materials for digital and RF/microwave applications requiring lead-free compatibility and high bandwidth signal integrity, bismalimide triazine ("BT") materials, polyimides for applications that demand extremely high thermal performance and reliability, cyanate esters, quartz reinforced materials, and polytetrafluoroethylene ("PTFE") and modified epoxy materials for RF/microwave systems that operate at frequencies up to 77GHz.

#### *Cost of Sales*

The Company's cost of sales decreased by 7% in 2014 from 2013 primarily as a result of lower sales and lower production volumes in 2014 than in 2013, and cost of sales as a percentage of sales decreased to 71.0% in 2014 from 71.3% in 2013. The decrease in costs of sales as a percentage of sales was due primarily to the improved operating performance of the Company's PATC business unit, the elimination of the additional, and in some instances duplicative, costs associated with transferring aerospace composite materials manufacturing from the Company's Park Advanced Composite Materials, Inc. ("PACM") facility to the Company's PATC facility in 2013, the cost reductions resulting from the closures of the Company's PACM facility and Nelco Zhuhai facility in 2013 and lower depreciation expense in 2014 than in 2013.

#### *Gross Profit*

The Company's gross profit in 2014 was lower than its gross profit in the prior fiscal year, but the overall gross profit as a percentage of net sales for the Company's worldwide operations increased to 29.0% in 2014 compared to 28.7% in 2013 despite significantly lower sales and the partially fixed nature of overhead costs. The gross profit margin in 2014 benefitted from the higher percentage of sales of higher margin, high performance printed circuit materials products in 2014 than in 2013, cost reductions as a result of the aforementioned facility closures, the improved operating performance of the Company's PATC business unit and the lower depreciation expense in 2014 than in 2013.

#### *Selling, General and Administrative Expenses*

Selling, general and administrative expenses decreased by \$1.4 million, or 5%, during 2014 compared to 2013. Such expenses measured as percentages of sales were 15.2% during 2014 compared to 15.1% during 2013. The increase as a percentage of sales was the result of lower revenues combined with the partially fixed nature of such expenses. Such expenses in 2013 were impacted by additional, and in some instances duplicative, expenses associated with the consolidation of all of the Company's North American aerospace composite materials, parts and assemblies manufacturing, development and design activities at its PATC business unit. The decrease in such expenses in 2014 was primarily the result of lower legal fees and expenses, lower selling and freight expenses commensurate with lower sales in 2014 than in 2013 and the elimination of the additional, and in some instances duplicative, expenses

associated with operating two facilities during the consolidation of the Company's aerospace activities at its PATC business unit in the 2013 fiscal year. Although such expenses declined in 2014, they were partially offset by increases in stock option expenses in 2014 compared to 2013 due to additional non-cash charges resulting from the modification of previously issued employee stock options resulting from the special cash dividend paid by the Company in February 2014 and a financial advisory services retention fee. Selling, general and administrative expenses in 2014 included \$1.7 million of stock option expenses compared to \$0.9 million in 2013.

### *Restructuring Charges*

The Company recorded pre-tax restructuring charges of \$0.5 million during 2014 in connection with the closure of its Nelco Zhuhai facility located in the Free Trade Zone in Zhuhai, China in the 2013 fiscal year second quarter, and the Company recorded pre-tax restructuring charges of \$3.7 million in 2013 in connection with the closure of the Nelco Zhuhai facility and the closure of the PACM facility in Waterbury, Connecticut in the 2013 fiscal year third quarter.

### *Earnings from Operations*

For the reasons set forth above, the Company's earnings from operations were \$22.4 million for 2014, including the non-cash pre-tax charges of \$0.7 million associated with the modification of previously issued employee stock options, \$0.3 million for the financial advisory services retention fee and \$0.5 million related to the closure of the Nelco Zhuhai facility described above, compared to \$20.3 million for 2013, including the pre-tax restructuring charges of \$3.7 million related to the closures of the Nelco Zhuhai facility and the PACM facility described above.

### *Interest Expense*

The interest expense in 2014 related to the Company's borrowings under the four-year amended and restated revolving credit facility agreement that the Company entered into with PNC Bank, National Association in the fourth quarter of 2014. The amended and restated agreement provides for loans up to \$104 million to the Company and letters of credit up to \$2 million for the account of the Company and, subject to the terms and conditions of the agreement, an interest rate on the outstanding loan balance of LIBOR plus 1.10%. Other interest rate options are available to the Company under the agreement. At the end of 2014, the Company borrowed \$104 million under this credit facility and used all of such borrowed funds to finance the payment of a special cash dividend of \$2.50 per share, totaling \$52 million, paid to its shareholders on February 25, 2014 and to continue the \$52 million loan that was provided under the credit facility agreement that the Company entered into with PNC Bank in January 2013 to finance the payment of a special cash dividend of \$2.50 per share, totaling \$52 million, paid to the Company's shareholders on February 26, 2013. The credit facility agreement entered into in 2014 replaced the credit facility agreement entered into in 2013. See "Liquidity and Capital Resources" elsewhere in this Item 7 and Note 11 of the Notes to Consolidated Financial Statements included elsewhere in this Report for additional information.

### *Interest Income*

Interest income decreased \$187,000, or 29%, during 2014 compared to 2013 primarily as a result of lower prevailing interest rates and shorter average maturities of the Company's investments during 2014 than 2013. During 2014 and 2013, the Company earned interest income principally from its investments, which were primarily in short-term instruments and money market funds.

*Income Tax Provision*

The Company's effective income tax rate was 291.7% for 2014 compared to 18.8% for 2013. The effective income tax rate for 2014 was adversely affected by a non-cash charge of \$64.0 million for the accrual of U.S. deferred income taxes on the undistributed earnings of the Company's subsidiary in Singapore. The charge included \$34.4 million related to the U.S. income tax that would be payable if the Company were to repatriate funds in an after-tax amount necessary to repay the Company's existing \$104.0 million principal amount bank loan from PNC Bank and \$29.6 million relating to the remainder of the undistributed earnings of the Company's subsidiary in Singapore. The Company has no current plan to repatriate the undistributed earnings of its subsidiary in Singapore. The aforementioned charge was partially offset by a tax benefit of \$2.2 million recorded by the Company in the 2014 second quarter in connection with a tax refund related to amended federal income tax returns. The effect of the aforementioned items was to increase the Company's income tax provision from \$2.6 million to \$64.4 million for 2014.



*Net Earnings*

The Company's net loss for 2014 was \$42.3 million, including the \$64.0 million non-cash charge for the accrual of U.S. income tax on undistributed earnings, the tax benefit of \$2.2 million in connection with the tax refund related to amended federal income tax returns, the \$0.7 million non-cash pre-tax charges associated with the modification of previously issued employee stock options and the pre-tax charges of \$0.5 million in connection with the closure of the Nelco Zhuhai facility and \$0.3 million financial advisory services retention fee described above, compared to net earnings for 2013 of \$17.0 million, including the \$3.7 million pre-tax charges related primarily to the closures of PACM and Nelco Zhuhai, described above. The net impact of the items described above was to reduce net earnings by \$62.5 million in 2014 and to reduce net earnings by \$3.4 million in 2013.

*Basic and Diluted Earnings Per Share*

Basic and diluted losses per share for 2014 were \$2.03, including the non-cash charge for the accrual of U.S. income tax on undistributed earnings, the tax benefit in connection with the tax refund related to amended federal income tax returns, the additional non-cash charges resulting from the modification of previously issued employee stock options, the pre-tax charges in connection with the closure of the Nelco Zhuhai facility and the financial advisory services retention fee described above, compared to basic and diluted earnings per share of \$0.82 and \$0.81, respectively for 2013, including the charges related to the closures of PACM and Nelco Zhuhai described above. The net impact of the items described above was to reduce basic and diluted earnings per share by \$3.00 in 2014 and to reduce basic and diluted earnings per share by \$0.16 and \$0.17, respectively, in 2013.

Fiscal Year 2013 Compared with Fiscal Year 2012

The comparisons of the Company's results of operations for 2013 to the Company's results of operations for 2012 are impacted by the facts that the 2013 fiscal year consisted of 53 weeks and the 2012 fiscal year consisted of 52 weeks.

(amounts in thousands, except per share amounts)	Fiscal Year Ended		Increase / (Decrease)		
	March 3, 2013	February 26, 2012			
Net sales	\$176,416	\$193,254	\$(16,838)	-8.7	%
Cost of sales	125,866	138,512	(12,646)	-9.1	%
<b>Gross profit</b>	<b>50,550</b>	<b>54,742</b>	<b>(4,192 )</b>	<b>-7.7</b>	<b>%</b>
Selling, general and administrative expenses	26,595	28,247	(1,652 )	-5.8	%
Restructuring charges	3,703	1,250	2,453	196.2	%
<b>Earnings from operations</b>	<b>20,252</b>	<b>25,245</b>	<b>(4,993 )</b>	<b>-19.8</b>	<b>%</b>
Interest expense	14	-	14	100	%
Interest and other income	647	808	(161 )	-19.9	%
Litigation and insurance settlements	-	1,598	(1,598 )	-100.0	%
<b>Earnings before income taxes</b>	<b>20,885</b>	<b>27,651</b>	<b>(6,766 )</b>	<b>-24.5</b>	<b>%</b>
Income tax provision	3,924	4,209	(285 )	-6.8	%
<b>Net earnings</b>	<b>\$16,961</b>	<b>\$23,442</b>	<b>\$(6,481 )</b>	<b>-27.6</b>	<b>%</b>
<b>Earnings per share:</b>					
Basic earnings per share	\$0.82	\$1.13	\$(0.31 )	-27.4	%
Diluted earnings per share	\$0.81	\$1.13	\$(0.32 )	-28.3	%

*Net Sales*

The Company's total net sales worldwide in 2013 decreased 9% from 2012 as a result of lower unit volumes of printed circuit materials products shipped to the Company's customers in North America, Asia and Europe. The lower sales of printed circuit materials products sold by the Company in 2013 was accompanied by slightly lower sales of aerospace composite materials, parts and assemblies products by the Company's operations in North America, Asia and Europe. The Company's total net sales of its printed circuit materials products were \$150.5 million in 2013 and \$166.8 million in 2012 and comprised 85% and 86% of the Company's total net sales worldwide in 2013 and 2012, respectively. The Company's total net sales of its aerospace composite materials, parts and assemblies products were \$25.9 million in 2013 and \$26.5 million in 2012 and comprised 15% and 14% of the Company's total net sales worldwide in 2013 and 2012, respectively.

The Company's foreign sales were \$95.4 million, or 54% of the Company's total net sales worldwide, during 2013 compared to \$107.3 million of sales, or 56% of total net sales worldwide during 2012. The Company's foreign sales during 2013 declined 11% from 2012 as a result of lower sales in Asia and Europe.

The Company's sales in North America, Asia and Europe were 46%, 45% and 9%, respectively, of the Company's total net sales worldwide in 2013 compared to 44%, 43% and 13%, respectively, in 2012. The Company's sales in North America decreased 6%, its sales in Asia decreased 5% and its sales in Europe decreased 32% in 2013 compared to 2012.

During 2013, 82% of the Company's total net sales worldwide of printed circuit materials consisted of high performance printed circuit materials, compared to 79% for 2012.

### *Cost of Sales*

The Company's cost of sales decreased by 9% in 2013 from 2012 primarily as a result of lower sales and lower production volumes in 2013 than in 2012, the improved operating performance of the Company's PATC business unit, the elimination of the additional, and in some instances duplicative, costs associated with transferring aerospace composite materials manufacturing from the Company's PACM facility to the Company's PATC facility in 2013, the cost reductions resulting from the closures of the Company's PACM facility and Nelco Zhuhai facility in 2013, lower depreciation expense in 2013 than in 2012 and lower rental expense at one of the Company's business units in 2013 than in 2012. The Company's cost of sales as a percentage of net sales decreased to 71.3% in 2013 from 71.7% in 2012.

### *Gross Profit*

The Company's gross profit in 2013 was lower than its gross profit in the prior fiscal year, but the overall gross profit as a percentage of net sales for the Company's worldwide operations increased to 28.7% in 2013 compared to 28.3% in 2012 despite significantly lower sales and the partially fixed nature of overhead costs. The gross profit margin in 2013 benefitted from the higher percentage of sales of higher margin, high performance printed circuit materials products in 2013 than in 2012, cost reductions as a result of the aforementioned facility closures, the improved operating performance of the Company's PATC business unit, the lower depreciation expense in 2013 than in 2012 and the lower rental expense in 2013 than in 2012.

### *Selling, General and Administrative Expenses*

Selling, general and administrative expenses decreased by \$1.7 million, or 6%, during 2013 compared to 2012. Such expenses measured as percentages of sales were 15.1% during 2013 compared to 14.6% during 2012. The increase as a percentage of sales was the result of lower revenues combined with the partially fixed nature of such expenses. Such expenses in 2013 and 2012 were impacted by additional, and in some instances duplicative, expenses associated with the consolidation of all of the Company's North American aerospace composite materials, parts and assemblies manufacturing, development and design activities at its PATC business unit. The decrease in such expenses in 2013 was primarily the result of lower selling and freight expenses commensurate with lower sales than in 2012. Although such expenses declined in 2013, they were inflated by increases in legal fees and expenses in 2013 compared to 2012. Selling, general and administrative expenses in 2013 included \$0.9 million of stock option expenses compared to \$0.8 million in 2012.

### *Restructuring Charges*

During 2013, the Company recorded charges of \$3.7 million primarily for the closures of its PACM facility in Waterbury, Connecticut and its Nelco Zhuhai facility in the Free Trade Zone in Zhuhai, China; and in the fourth quarter of 2012, the Company recorded a charge of \$1.3 million in connection with the closure of the PACM facility.

*Earnings From Operations*

For the reasons set forth above, the Company's earnings from operations were \$20.3 million for 2013, including the \$3.7 million charge primarily for the closures of PACM and Nelco Zhuhai, compared to \$25.2 million for 2012, including the \$1.3 million charge related to the closure of PACM. The Company's earnings from operations in the first half of 2013 and in 2012 were reduced by losses incurred at the Company's PATC business unit.

### *Interest Expense*

The Company incurred no interest expense during 2012 and incurred \$14,000 of interest expense in the fourth quarter of 2013 under a five-year revolving credit agreement entered into with PNC Bank, National Association in such quarter. See "Liquidity and Capital Resources" elsewhere in this Item 7 for additional information.

### *Interest and Other Income*

Interest and other income, net was \$0.6 million in 2013 compared to \$0.8 million in 2012. During 2013 and 2012, the Company earned interest income principally from its investments, which were primarily in short-term instruments and money market funds.

### *Litigation and Insurance Settlements*

During the second quarter of 2012, the Company recognized other income of \$1.6 million resulting from the aforementioned settlements of a lawsuit for a business interruption insurance claim and a lawsuit pertaining to defective equipment.

### *Income Tax Provision*

The Company's effective income tax rate was 18.8% for 2013 compared to 15.2% for 2012. The higher effective income tax rate for 2013 was attributable principally to a change in the earnings mix between United States and foreign operations subject to different income tax rates, the expiration, on June 30, 2011, of Nelco Products Pte. Ltd.'s qualification and favorable tax rates under the development and expansion tax incentive in Singapore and the charge related to the closure of Nelco Zhuhai with no associated tax benefit.

### *Net Earnings*

The Company's net earnings for 2013 were \$17.0 million, including the \$3.7 million pre-tax charges related primarily to the closures of PACM and Nelco Zhuhai described above, compared to net earnings for 2012 of \$23.4 million,

including the \$1.3 million pre-tax charge related to the closure of PACM and the \$1.6 million pre-tax other income resulting from the settlements of the lawsuits described above. The net impact of the charges described above related primarily to the closures of PACM and Nelco Zhuhai was to reduce net earnings by \$3.4 million in 2013. The net impact of the charge described above in 2012 related to the closure of PACM was to reduce net earnings by \$0.8 million in 2012, and the impact of the other income, net of tax, resulting from the settlements of the lawsuits described above was to increase net earnings by \$1.1 million in 2012.

*Basic and Diluted Earnings Per Share*

Basic and diluted earnings per share for 2013 were \$0.82 and \$0.81, respectively, including the charges related to the closures of PACM and Nelco Zhuhai as described above, compared to basic and diluted earnings per share of \$1.13 for 2012, including the charge related to the closure of PACM described above and the other income resulting from the settlements of the lawsuits described above. The net impact of the charges related primarily to the closures of PACM and Nelco Zhuhai was to reduce basic and diluted earnings per share by \$0.16 and \$0.17, respectively, in 2013. The net impact of the charge described above was to reduce basic and diluted earnings per share by \$0.04 in 2012, and the impact of the other income, net of tax, resulting from the settlements of the lawsuits described above was to increase basic and diluted earnings per share by \$0.05 in 2012.

**Liquidity and Capital Resources:**

(amounts in thousands)	March 2, 2014	March 3, 2013	Increase / (Decrease)
Cash and marketable securities	\$270,356	\$275,216	\$ (4,860 )
Restricted cash	25,000	-	25,000
Working capital	286,997	303,996	(16,999 )

(amounts in thousands)	Fiscal Year Ended			Increase /	
	March 2, 2014	March 3, 2013	February 26, 2012	(Decrease) 2014 vs. 2013	2013 vs. 2012
Net cash provided by operating activities	\$30,382	\$19,334	\$31,434	\$11,048	\$(12,100)
Net cash provided by (used in) investing activities	(50,675)	44,947	(7,569 )	\$(95,622)	\$52,516
Net cash used in financing activities	(32,536)	(7,774 )	(6,395 )	\$(24,762)	\$(1,379 )

*Cash, Marketable Securities and Restricted Cash*

Of the \$295.4 million of cash, marketable securities and restricted cash at March 2, 2014, approximately \$242.4 million was owned by certain of the Company's wholly owned foreign subsidiaries. In the fourth quarter of 2014, the Company provided a non-cash charge for the accrual of U.S. deferred income taxes in the amount of \$64.0 million on undistributed earnings of the Company's subsidiary in Singapore. The charge included \$34.4 million related to the U.S. income tax that would be payable if the Company were to repatriate funds in an after-tax amount necessary to repay the Company's existing \$104.0 million principle amount bank loan from PNC Bank and an additional \$29.6 million relating to the remainder of the undistributed earnings of the Company's subsidiary in Singapore. However, the Company has no current plan to repatriate the undistributed earnings of its subsidiary in Singapore. The Company believes it has sufficient liquidity in the United States to fund its activities in the United States for the foreseeable future.

The change in cash, marketable securities and restricted cash at March 2, 2014 compared to March 3, 2013 was the result of cash provided by operating activities and a number of additional factors, including the following:



accounts receivable were 12% lower at March 2, 2014 than at March 3, 2013 principally due to lower sales in the fourth quarter of 2014 compared to the fourth quarter of 2013;  
other current assets were 38% lower at March 2, 2014 than at March 3, 2013 primarily as a result of the receipt of income tax refunds;  
accrued liabilities were 15% lower at March 2, 2014 than at March 3, 2013 due primarily to lower restructuring accruals; and  
income taxes payable decreased 28% at March 2, 2014 compared to March 3, 2013 primarily as a result of tax payments made in connection with the Company's operations in Singapore, partially offset by the 2014 tax provision.

In addition, as described below, the Company paid \$60.5 million in cash dividends during the 2014 fiscal year, including a special cash dividend of \$52.2 million paid in the fourth quarter of 2014.

### Working Capital

The decrease in working capital at March 2, 2014 compared to March 3, 2013 was due principally to the decreases in cash and marketable securities, accounts receivable and other current assets and the increase in current portion of long-term debt, partially offset by the decreases in accrued liabilities and income taxes payable.

The Company's current ratio (the ratio of current assets to current liabilities) was 12.8 to 1 at March 2, 2014 compared with 19.2 to 1 at March 3, 2013.

### Cash Flows

During 2014, net earnings from the Company's operations, before depreciation and amortization, stock-based compensation, provision for deferred income taxes, amortization of bond premium and the gain on the sale of fixed assets, of \$28.6 million, increased by a net addition in working capital items (as discussed above), resulted in \$30.4 million of cash provided by operating activities.

During 2014, the Company expended \$1.1 million for the purchase of property, plant and equipment, primarily for the purchase of equipment for the Company's printed circuit materials manufacturing facility in Singapore and for the Company's aerospace development and manufacturing facility in Newton, Kansas. Such expenditures compare to \$1.4 million during 2013 for the purchase of property, plant and equipment, primarily for the purchase of equipment for the facility in Singapore and for the facility in Kansas, and \$2.2 million as additional payment for the acquisition of substantially all the assets and business of Nova Composites, Inc.

In addition, the Company paid \$60.5 million in cash dividends on its common stock in 2014, including a special cash dividend of \$2.50 per share, totaling \$52.2 million, paid in the fourth quarter of 2014, compared to \$60.4 million in cash dividends on its common stock in 2013, including a special cash dividend of \$2.50 per share, totaling \$52.1 million.

Long-Term Debt

At March 2, 2014 and March 3, 2013, the Company had \$104.0 million and \$52.0 million of long-term debt, respectively. In the fourth quarter of 2014, the Company entered into a four-year amended and restated revolving credit facility agreement (the "Amended Credit Agreement") with PNC Bank, National Association. The Amended Credit Agreement provides for loans up to \$104.0 million to the Company and letters of credit up to \$2.0 million for the account of the Company, and subject to the terms and conditions of the Amended Credit Agreement, an interest rate on the outstanding loan balance of LIBOR plus 1.10%. Other interest rate options are available to the Company under the Amended Credit Agreement. At the end of 2014, the Company borrowed \$104.0 million under the Amended Credit Agreement and used all of such borrowed funds to finance the payment of a special cash dividend of \$2.50 per share, totaling \$52.2 million, paid to its shareholders on February 25, 2014 and to continue the \$52.0 million loan that was provided under the credit facility agreement that the Company entered into with PNC Bank in January 2013 to finance the payment of a special cash dividend of \$2.50 per share, totaling \$52.0 million, paid to the Company's shareholders on February 26, 2013. The Amended Credit Agreement entered into in 2014 replaced the credit facility agreement entered into in 2013. The Company incurred \$0.8 million of interest expense in 2014 under the Amended Credit Agreement. The \$104.0 million outstanding amount under the Amended Credit Agreement will be paid as follows: \$10.0 million due on February 12, 2015 followed by four quarterly installments of \$2.5 million and then eight quarterly installments of \$3.8 million with the remaining amount outstanding payable on February 12, 2018. The Amended Credit Agreement also contains certain customary affirmative and negative covenants and customary financial covenants, including maintaining minimum domestic liquid assets of \$25,000 in cash and marketable securities. See Note 11 of the Notes to Consolidated Financial Statements included elsewhere in this Report.

Other Liquidity Factors

The Company believes its financial resources will be sufficient, for the foreseeable future, to provide for continued investment in working capital and property, plant and equipment and for general corporate purposes. Such resources would also be available for purchases of the Company's common stock, appropriate acquisitions and other expansions of the Company's business.

The Company is not aware of any circumstances or events that are reasonably likely to occur that could materially affect its liquidity.

**Contractual Obligations:**

The Company's contractual obligations and other commercial commitments to make future payments under contracts, such as lease agreements, consist only of (i) operating lease commitments, commitments to purchase raw materials and commitments to purchase equipment, as described in Note 12 of the Notes to Consolidated Financial Statements included elsewhere in this Report, and (ii) the long-term debt described above. The Company has no other long-term debt, capital lease obligations, unconditional purchase obligations or other long-term obligations, standby letters of credit, guarantees, standby repurchase obligations or other commercial commitments or contingent commitments, other than two standby letters of credit in the total amount of \$1.1 million to secure the Company's obligations under its workers' compensation insurance program.

As of March 2, 2014, the Company's significant contractual obligations, including payments due by fiscal year, were as follows:

<b>Contractual Obligations (Amounts in thousands)</b>	<b>Total</b>	<b>2015</b>	<b>2016-2017</b>	<b>2018-2019</b>	<b>2020 and thereafter</b>
Operating lease obligations	\$7,722	\$1,886	\$1,582	\$426	\$ 3,828
Long-term debt	104,000	10,000	25,000	69,000	-
Inventory purchase obligations	1,201	1,201	-	-	-
Equipment purchase obligations	87	87	-	-	-
<b>Total</b>	<b>\$113,010</b>	<b>\$13,174</b>	<b>\$26,582</b>	<b>\$69,426</b>	<b>\$ 3,828</b>

At March 2, 2014, the Company had gross tax-effected unrecognized tax benefits of \$0.3 million. A reasonable estimate of timing of these liabilities is not possible.

**Off-Balance Sheet Arrangements:**

The Company's liquidity is not dependent on the use of, and the Company is not engaged in, any off-balance sheet financing arrangements, such as securitization of receivables or obtaining access to assets through special purpose entities.

### **Environmental Matters:**

The Company is subject to various Federal, state and local government and foreign government requirements relating to the protection of the environment. The Company believes that, as a general matter, its policies, practices and procedures are properly designed to prevent unreasonable risk of environmental damage and that its handling, manufacture, use and disposal of hazardous or toxic substances are in accord with environmental laws and regulations. However, mainly because of past operations and operations of predecessor companies, which were generally in compliance with applicable laws at the time of the operations in question, the Company, like other companies engaged in similar businesses, is a party to claims by government agencies and third parties and has incurred remedial response and voluntary cleanup costs associated with environmental matters. Additional claims and costs involving past environmental matters may continue to arise in the future. It is the Company's policy to record appropriate liabilities for such matters when remedial efforts are probable and the costs can be reasonably estimated.

In 2014, 2013 and 2012, the Company charged approximately \$22,000, \$70,000 and \$145,000, respectively, against pre-tax income for remedial response and voluntary cleanup costs and related legal fees. The Company expects to receive reimbursement pursuant to general liability insurance coverage for approximately \$15,000, \$15,000 and \$18,000, respectively, of such amounts charged in 2014, 2013 and 2012. While annual environmental remedial response and voluntary cleanup expenditures, including legal fees, have generally been constant from year to year, and may increase over time, the Company expects it will be able to fund such expenditures from cash flow from operations. The timing of expenditures depends on a number of factors, including regulatory approval of cleanup projects, remedial techniques to be utilized and agreements with other parties. At March 2, 2014 and March 3, 2013, there were no amounts recorded in accrued liabilities for environmental matters.

Management does not expect that environmental matters will have a material adverse effect on the liquidity, capital resources, business, consolidated results of operations or consolidated financial position of the Company. See Note 13 of the Notes to Consolidated Financial Statements included in Item 8 of Part II of this Report for a discussion of the Company's contingencies, including those related to environmental matters.

### **Critical Accounting Policies and Estimates:**

The following information is provided regarding critical accounting policies that are important to the Consolidated Financial Statements and that entail, to a significant extent, the use of estimates, assumptions and the application of management's judgment.

General

The Company's discussion and analysis of its financial condition and results of operations are based upon the Company's Consolidated Financial Statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these Financial Statements requires the Company to make estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and the related disclosure of contingent liabilities. On an ongoing basis, the Company evaluates its estimates, including those related to sales allowances, allowances for doubtful accounts, inventories, valuation of long-lived assets, income taxes, restructurings, contingencies and litigation, and employee benefit programs. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

The Company believes the following critical accounting policies affect its more significant judgments and estimates used in the preparation of its Consolidated Financial Statements.

#### Revenue Recognition

The Company recognizes revenues when products are shipped and title has been transferred to a customer, the sales price is fixed and determinable, and collection is reasonably assured. All material sales transactions are for the shipment of the Company's products.

#### Sales Allowances and Product Warranties

The Company provides for the estimated costs of sales allowances at the time such costs can be reasonably estimated. The Company's products are made to customer specifications and tested for adherence to such specifications before shipment to customers. Composite parts and assemblies may be subject to "airworthiness" acceptance by customers after receipt at the customers' locations. There are no future performance requirements other than the products' meeting the agreed specifications. The Company's bases for providing sales allowances for returns are known situations in which products may have failed due to manufacturing defects in the products supplied by the Company. The Company is focused on manufacturing the highest quality printed circuit materials and advanced composite materials, parts and assemblies possible and employs stringent manufacturing process controls and works with raw material suppliers who have dedicated themselves to complying with the Company's specifications and technical requirements. The amounts of returns and allowances resulting from defective or damaged products have been approximately 1.0% of sales for each of the Company's last three fiscal years.

#### Accounts Receivable

The Company's accounts receivable are due from purchasers of the Company's products. Credit is extended based on evaluation of a customer's financial condition and, generally, collateral is not required. Accounts receivable are due within established payment terms and are stated at amounts due from customers net of an allowance for doubtful accounts. Accounts outstanding longer than established payment terms are considered past due. The Company determines its allowance by considering a number of factors, including the length of time accounts receivable are past due, the Company's previous loss history, the customer's current ability to pay its obligation to the Company, and the conditions of the general economy and the electronics and aerospace industries. If the financial condition of the Company's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The Company writes off accounts receivable when they become uncollectible.



Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market. The Company writes down its inventory for estimated obsolescence or unmarketability based upon the age of the inventory and assumptions about future demand for the Company's products and market conditions.

### Valuation of Long-Lived Assets

The Company assesses the impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. In addition, the Company assesses the impairment of goodwill at least annually. Important factors that could trigger an impairment review include, but are not limited to, significant negative industry or economic trends and significant changes in the use of the Company's assets or strategy of the overall business.

### Income Taxes

As part of the processes of preparing its consolidated financial statements, the Company is required to estimate the income taxes in each of the jurisdictions in which it operates. This process involves estimating the actual current tax expense together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included in the Company's Consolidated Balance Sheets. Deferred income taxes are provided for temporary differences in the reporting of certain items, such as depreciation and undistributed earnings of foreign subsidiaries, for income tax purposes compared to financial accounting purposes. In evaluating the Company's ability to recover the deferred tax assets within the jurisdiction from which they arise, all positive and negative evidence is considered, including the scheduled reversal of deferred tax liabilities, projected future taxable income, tax planning strategies and results of recent acquisitions. If these estimates and assumptions change in the future, the Company may be required to record additional valuation allowances against its deferred tax assets, resulting in additional income tax expense in the Company's Consolidated Statements of Operations, or conversely to further reduce the existing valuation allowance, resulting in less income tax expense. The Company evaluates the realizability of the deferred tax assets and assesses the need for additional valuation allowances quarterly.

Tax benefits are recognized for an uncertain tax position when, in the Company's judgment, it is more likely than not that the position will be sustained upon examination by a taxing authority. For a tax position that meets the more-likely-than-not recognition threshold, the tax benefit is measured as the largest amount that is judged to have a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority. The liability associated with unrecognized tax benefits is adjusted periodically due to changing circumstances and when new information becomes available. Such adjustments are recognized entirely in the period in which they are identified. The effective tax rate includes the net impact of changes in the liability for unrecognized tax benefits and subsequent adjustments as considered appropriate by the Company. While it is often difficult to predict the final outcome or the timing of resolution of any particular tax matter, the Company believes its liability for unrecognized tax benefits is adequate. Interest and penalties recognized on the liability for unrecognized tax benefits are recorded as income tax expense.

### Contingencies and Litigation

The Company is subject to a number of proceedings, lawsuits and other claims related to environmental, employment, product and other matters. The Company is required to assess the likelihood of any adverse judgments or outcomes in these matters as well as potential ranges of probable losses. A determination of the amount of reserves required, if any, for these contingencies is made after careful analysis of each individual issue. The required reserves may change in the future due to new developments in each matter or changes in approach, such as a change in settlement strategy in dealing with these matters.

Employee Benefit Programs

The Company's obligations for workers' compensation claims are effectively self-insured, although the Company maintains individual and aggregate stop-loss insurance coverage for such claims. The Company accrues its workers compensation liability based on estimates of the total exposure of known claims using historical experience and projected loss development factors less amounts previously paid out.

The Company and certain of its subsidiaries have a non-contributory profit sharing retirement plan covering their regular full-time employees. In addition, the Company's subsidiaries have various bonus and incentive compensation programs, most of which are determined at management's discretion.

The Company's reserves associated with these self-insured liabilities and benefit programs are reviewed by management for adequacy at the end of each reporting period.

**FACTORS THAT MAY AFFECT FUTURE RESULTS.**

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements to encourage companies to provide prospective information about their companies without fear of litigation so long as those statements are identified as forward-looking and are accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those projected in the statement. Certain portions of this Report which do not relate to historical financial information may be deemed to constitute forward-looking statements that are subject to various factors which could cause actual results to differ materially from Park's expectations or from results which might be projected, forecasted, estimated or budgeted by the Company in forward-looking statements.

Generally, forward-looking statements can be identified by the use of words such as "expect," "estimate," "project," "budget," "forecast," "anticipate," "goal," "intend," "plan," "may," "will," "could," "should," "believes," "predicts," "potential," "continue" or the negative or other variations thereof. Such forward-looking statements are based on current expectations that involve a number of uncertainties and risks that may cause actual events or results to differ materially from Park's expectations.

The factors described under "Risk Factors" in Item 1A of this Report, as well as the following additional factors, could cause the Company's actual results to differ materially from any such results which might be projected, forecasted, estimated or budgeted by the Company in forward-looking statements.

The Company's operating results are affected by a number of factors, including various factors beyond the Company's control. Such factors include economic conditions in the printed circuit materials, advanced composite materials and composite parts and assemblies industries, the timing of customer orders, product prices, process yields, the mix of products sold and maintenance-related shutdowns of facilities. Operating results also can be influenced by development and introduction of new products and the costs associated with the start-up of new facilities.

The Company, from time to time, is engaged in the expansion of certain of its manufacturing facilities. The anticipated costs of such expansions cannot be determined with precision and may vary materially from those budgeted. In addition, such expansions will increase the Company's fixed costs. The Company's future profitability depends upon its ability to utilize its manufacturing capacity in an effective manner.

The Company may acquire businesses, product lines or technologies that expand or complement those of the Company. The integration and management of an acquired company or business may strain the Company's management resources and technical, financial and operating systems. In addition, implementation of acquisitions can result in large one-time charges and costs. A given acquisition, if consummated, may materially affect the Company's business, financial condition and results of operations.

The Company's success is dependent upon its relationships with key suppliers and customers and key management and technical personnel.

The Company's future success depends in part upon its intellectual property which the Company seeks to protect through a combination of contract provisions, trade secret protections, copyrights and patents.

The market price of the Company's securities can be subject to fluctuations in response to quarter to quarter variations in operating results, changes in analyst earnings estimates, market conditions in the printed circuit materials, advanced composite materials and composite parts and assemblies industries, as well as general economic conditions and other factors external to the Company.

The Company's operating results could be affected by changes in the Company's accounting policies and practices or changes in the Company's organization, compensation and benefit plans, or changes in the Company's material agreements or understandings with third parties.

#### **Item 7A. Quantitative and Qualitative Disclosures About Market Risk.**

*Foreign Exchange Risk* - The Company's primary foreign currency exchange exposure relates to the translation of the financial statements of foreign subsidiaries using currencies other than the U.S. dollar as their functional currencies. The Company does not believe that a hypothetical 10% fluctuation in foreign exchange rates would have had a material impact on its consolidated results of operations or financial position.

*Interest Rate Risk* - The exposure to market risks for changes in interest rates relates to the Company's short-term investment portfolio and its variable rate borrowings under its long-term debt obligations pursuant to the four-year amended and restated revolving credit facility agreement (the "Amended Credit Agreement") with PNC Bank, National Association. See Note 11 of the Notes to Consolidated Financial Statements in Item 8 of Part II of this Report. The Company does not use derivative financial instruments in its investment portfolio or its long-term debt obligations. The Company's short-term investment portfolio is managed in accordance with guidelines issued by the Company. These guidelines are designed to establish a high quality fixed income portfolio of government and highly rated corporate debt securities with a maximum weighted maturity of less than one year. Based on the average anticipated maturity of the investment portfolio at the end of the 2014 fiscal year, the Company does not believe that a hypothetical 10% fluctuation in short-term interest rates would have had a material impact on the consolidated results of operations or financial position of the Company. The Company's outstanding borrowings of \$104.0 million million, at March 2, 2014, represent 100% of the Company's total long-term debt obligations. Outstanding borrowings bear

interest at a rate equal to, at the Company's option, either a (a) LIBOR rate option determined by a fluctuating rate per annum equal to the LIBOR Rate plus 1.10% or (b) base rate option determined by a fluctuating rate per annum equal to the highest of (i) the Federal Funds Open Rate (as defined in the Amended Credit Agreement) plus 0.5%, (ii) the Prime Rate (as defined in the Amended Credit Agreement), and (iii) the Daily LIBOR Rate (as defined in the Amended Credit Agreement) plus 1.0%. The Company does not believe that a hypothetical 10% fluctuation in interest rates would have had a material impact on the consolidated results of operations or financial position of the Company.

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

The Company's Financial Statements begin on the next page.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders

Park Electrochemical Corp.

We have audited the accompanying consolidated balance sheets of Park Electrochemical Corp. (a New York corporation) and subsidiaries (the “Company”) as of March 2, 2014 and March 3, 2013, and the related consolidated statements of operations, comprehensive income, shareholders’ equity, and cash flows for each of the three years in the period ended March 2, 2014. Our audits of the basic consolidated financial statements included the financial statement schedule listed in the index appearing under Item 15(a)(2). These financial statements and financial statement schedule are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Park Electrochemical Corp. and subsidiaries as of March 2, 2014 and March 3, 2013, and the results of their operations and their cash flows for each of the three years in the period ended March 2, 2014 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company’s internal control over financial reporting as of March 2, 2014, based on criteria established in the 1992 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated May 16, 2014 expressed an adverse opinion thereon.



/s/ GRANT THORNTON LLP

New York, New York

May 16, 2014

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**PARK ELECTROCHEMICAL CORP. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

(Amounts in thousands, except share and per share amounts)

	<b>March 2, 2014</b>	<b>March 3, 2013</b>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$133,150	\$186,117
Marketable securities (Note 2)	137,206	89,099
Accounts receivable, less allowance for doubtful accounts of \$416 and \$423, respectively	22,881	25,878
Inventories (Note 3)	13,871	12,918
Prepaid expenses and other current assets	4,132	6,662
<b>Total current assets</b>	<b>311,240</b>	<b>320,674</b>
Property, plant and equipment, net of accumulated depreciation and amortization (Note 3)	29,674	32,187
Goodwill and other intangible assets (Note 3)	9,847	9,854
Restricted cash	25,000	-
Other assets (Note 4)	1,332	6,943
<b>Total Assets</b>	<b>\$377,093</b>	<b>\$369,658</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Current portion of long-term debt (Note 11)	\$10,000	\$-
Accounts payable	6,109	6,485
Accrued liabilities (Note 3)	5,139	6,016
Income taxes payable	2,995	4,177
<b>Total current liabilities</b>	<b>24,243</b>	<b>16,678</b>
Long-term debt (Note 11)	94,000	52,000
Deferred income taxes (Note 4)	58,124	812
Other liabilities (Note 4)	183	246
<b>Total liabilities</b>	<b>176,550</b>	<b>69,736</b>
Commitments and contingencies (Notes 12 and 13)		
Shareholders' equity (Note 6):		
Preferred stock, \$1 par value per shares-authorized, 500,000 shares; issued, none	-	-
Common stock, \$0.10 par value per shares-authorized, 60,000,000 shares; issued, 20,882,844 and 20,831,578 shares, respectively	2,088	2,083
Additional paid in capital	161,677	158,790
Retained earnings	35,651	138,514

Accumulated other comprehensive earnings	1,221	629
	<b>200,637</b>	<b>300,016</b>
Less treasury stock, at cost, 4,074 and 4,066 shares, respectively	(94 )	(94 )
<b>Total shareholders' equity</b>	<b>200,543</b>	<b>299,922</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$377,093</b>	<b>\$369,658</b>

See Notes to Consolidated Financial Statements.

**PARK ELECTROCHEMICAL CORP. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS**

(Amounts in thousands, except per share amounts)

	<b>Fiscal Year Ended</b>		
	<b>March 2, 2014</b>	<b>March 3, 2013</b>	<b>February 26, 2012</b>
Net sales	\$ 165,764	\$ 176,416	\$ 193,254
Cost of sales	117,664	125,866	138,512
<b>Gross profit</b>	<b>48,100</b>	<b>50,550</b>	<b>54,742</b>
Selling, general and administrative expenses	25,168	26,595	28,247
Restructuring charges (Note 9)	546	3,703	1,250
<b>Earnings from operations</b>	<b>22,386</b>	<b>20,252</b>	<b>25,245</b>
Interest expense (Note 11)	764	14	-
Interest and other income	460	647	808
Litigation and insurance settlements (Note 8)	-	-	1,598
<b>Earnings before income taxes</b>	<b>22,082</b>	<b>20,885</b>	<b>27,651</b>
Income tax provision (Note 4)	64,411	3,924	4,209
<b>Net (loss) earnings</b>	<b>\$(42,329)</b>	<b>\$16,961</b>	<b>\$23,442</b>
<b>Earnings per share (Note 7):</b>			
Basic (loss) earnings per share	\$(2.03 )	\$0.82	\$1.13
Basic weighted average shares	20,849	20,801	20,746
Diluted (loss) earnings per share	\$(2.03 )	\$0.81	\$1.13
Diluted weighted average shares	20,849	20,823	20,792

See Notes to Consolidated Financial Statements.

**PARK ELECTROCHEMICAL CORP. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) EARNINGS****(Amounts in thousands)**

	<b>Fiscal Year Ended</b>		
	<b>March</b>	<b>March</b>	<b>February</b>
	<b>2,</b>	<b>3,</b>	<b>26,</b>
	<b>2014</b>	<b>2013</b>	<b>2012</b>
Net (loss) earnings	\$(42,329)	\$16,961	\$ 23,442
Other comprehensive earnings, net of tax:			
Foreign currency translation	420	75	70
Less: reclassification adjustment for foreign currency translation gains included in net earnings	-	(1,465 )	-
Unrealized gains on marketable securities:			
Unrealized holding gains arising during the period	117	41	60
Less: reclassification adjustment for gains included in net (loss) earnings	(20 )	(67 )	(44 )
Unrealized losses on marketable securities:			
Unrealized holding losses arising during the period	(83 )	(72 )	(44 )
Less: reclassification adjustment for losses included in net (loss) earnings	158	40	52
Other comprehensive earnings (loss)	592	(1,448 )	94
<b>Total comprehensive (loss) earnings</b>	<b>\$(41,737)</b>	<b>\$15,513</b>	<b>\$ 23,536</b>

See Notes to Consolidated Financial Statements.

## PARK ELECTROCHEMICAL CORP. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Amounts in thousands, except share and per share amounts)

	Common Stock		Additional	Retained	Accumulated	Treasury	
	Shares	Amount	Paid-in Capital	Earnings	Other Comprehensive Earnings (Loss)	Shares	Amount
<b>Balance, February 27, 2011</b>	<b>20,722,179</b>	<b>\$ 2,072</b>	<b>\$ 154,459</b>	<b>\$ 166,795</b>	<b>\$ 1,983</b>	<b>158</b>	<b>\$ (1 )</b>
Net earnings	-	-	-	23,442	-	-	-
Foreign currency translation	-	-	-	-	70	-	-
Unrealized gain on marketable securities, net of tax	-	-	-	-	24	-	-
Stock options exercised	73,412	7	1,803	-	-	-	-
Stock-based compensation	-	-	762	-	-	-	-
Tax benefit on exercise of options	-	-	91	-	-	-	-
Cash dividends (\$0.40 per share)	-	-	-	(8,296 )	-	-	-
<b>Balance, February 26, 2012</b>	<b>20,795,591</b>	<b>2,079</b>	<b>157,115</b>	<b>181,941</b>	<b>2,077</b>	<b>158</b>	<b>(1 )</b>
Net earnings	-	-	-	16,961	-	-	-
Foreign currency translation	-	-	-	-	(1,390 )	-	-
Unrealized loss on marketable securities, net of tax	-	-	-	-	(58 )	-	-
Stock options exercised	35,987	4	758	-	-	3,908	(93 )
Stock-based compensation	-	-	915	-	-	-	-
Tax benefit on exercise of options	-	-	2	-	-	-	-
Cash dividends (\$2.90 per share)	-	-	-	(60,388 )	-	-	-
<b>Balance, March 3, 2013</b>	<b>20,831,578</b>	<b>2,083</b>	<b>158,790</b>	<b>138,514</b>	<b>629</b>	<b>4,066</b>	<b>(94 )</b>
Net loss	-	-	-	(42,329 )	-	-	-
Foreign currency translation	-	-	-	-	420	-	-
Unrealized gain on marketable securities, net of tax	-	-	-	-	172	-	-
Stock options exercised	51,266	5	1,157	-	-	8	-
Stock-based compensation	-	-	1,730	-	-	-	-
Cash dividends (\$2.90 per share)	-	-	-	(60,534 )	-	-	-
<b>Balance, March 2, 2014</b>	<b>20,882,844</b>	<b>\$ 2,088</b>	<b>\$ 161,677</b>	<b>\$ 35,651</b>	<b>\$ 1,221</b>	<b>4,074</b>	<b>\$ (94 )</b>

See Notes to Consolidated Financial Statements.



**PARK ELECTROCHEMICAL CORP. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS****(Amounts in thousands)**

	<b>Fiscal Year Ended</b>		
	<b>March 2,</b>	<b>March 3,</b>	<b>February</b>
	<b>2014</b>	<b>2013</b>	<b>26,</b>
			<b>2012</b>
<b>Cash flows from operating activities:</b>			
Net (loss) earnings	\$(42,329 )	\$16,961	\$23,442
Adjustments to reconcile net (loss) earnings to net cash provided by operating activities:			
Depreciation and amortization	3,757	4,269	5,891
Stock-based compensation	1,730	915	762
Recovery of doubtful accounts	-	(135 )	-
Provision for deferred income taxes	63,681	1,137	22
Amortization of bond premium	1,816	1,499	1,481
Impairment of fixed assets	-	3,620	928
Gain on sale of fixed assets	(75 )	-	-
Non-cash restructuring	-	(1,465 )	322
Changes in operating assets and liabilities:			
Accounts receivable	3,087	(2,255 )	6,260
Inventories	(925 )	2,882	(2,947 )
Prepaid expenses and other current assets	2,442	(3,126 )	982
Other assets and liabilities	(813 )	(310 )	(1,642 )
Accounts payable	(240 )	(1,929 )	(1,485 )
Accrued liabilities	(567 )	(2,708 )	(968 )
Income taxes payable	(1,182 )	(21 )	(1,614 )
<b>Net cash provided by operating activities</b>	<b>30,382</b>	<b>19,334</b>	<b>31,434</b>
<b>Cash flows from investing activities:</b>			
Purchase of property, plant and equipment	(1,117 )	(1,447 )	(3,994 )
Proceeds from sales of property, plant and equipment	100	-	-
Purchases of marketable securities	(210,693)	(142,134)	(172,724)
Proceeds from sales and maturities of marketable securities	161,035	190,728	170,249
Business acquisition	-	(2,200 )	(1,100 )
<b>Net cash (used in) provided by investing activities</b>	<b>(50,675 )</b>	<b>44,947</b>	<b>(7,569 )</b>
<b>Cash flows from financing activities:</b>			
Dividends paid	(60,534 )	(60,388 )	(8,296 )
Increase in restricted cash	(25,000 )	-	-
Proceeds from exercise of stock options	1,162	758	1,810
Tax impact from stock-based compensation	-	2	91
Proceeds from long-term debt	52,000	52,000	-



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Payments for debt issuance costs	(164 )	(53 )	-
Purchase of treasury stock	-	(93 )	-
<b>Net cash used in financing activities</b>	<b>(32,536 )</b>	<b>(7,774 )</b>	<b>(6,395 )</b>
(Decrease) increase in cash and cash equivalents before effect of exchange rate changes	(52,829 )	56,507	17,470
Effect of exchange rate changes on cash and cash equivalents	(138 )	107	(162 )
<b>(Decrease) increase in cash and cash equivalents</b>	<b>(52,967 )</b>	<b>56,614</b>	<b>17,308</b>
Cash and cash equivalents, beginning of year	186,117	129,503	112,195
<b>Cash and cash equivalents, end of year</b>	<b>\$133,150</b>	<b>\$186,117</b>	<b>\$129,503</b>

See Notes to Consolidated Financial Statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Three years ended March 2, 2014

(Amounts in thousands, except share (unless otherwise stated), per share and option amounts)

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### 1. Summary of Significant Accounting Policies

Park Electrochemical Corp. (“Park”), through its subsidiaries (collectively, the “Company”), is a global advanced materials company which develops, manufactures, markets and sells high-technology digital and RF/microwave printed circuit materials products principally for the telecommunications and internet infrastructure and high-end computing markets and advanced composite materials, parts and assemblies products for the aerospace markets.

*Principles of Consolidation* – The consolidated financial statements include the accounts of Park and its subsidiaries.  
a. All significant intercompany balances and transactions have been eliminated.

*Use of Estimates* – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“US GAAP”) requires management to make estimates and assumptions  
b. that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results may differ from those estimates.

*Accounting Period* – The Company’s fiscal year is the 52 or 53 week period ending the Sunday nearest to the last day  
c. of February. The 2014, 2013 and 2012 fiscal years ended on March 2, 2014, March 3, 2013 and February 26, 2012, respectively. Fiscal years 2014, 2013 and 2012 consisted of 52, 53 and 52 weeks, respectively.

*Fair Value Measurements* – Fair value is defined as the price that would be received to sell an asset or paid to  
d. transfer a liability (i.e., the “exit price”) in an orderly transaction between market participants at the measurement date.

Fair value measurements are broken down into three levels based on the reliability of inputs as follows:

Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability (e.g., interest rates and yield curves observable at commonly quoted intervals or current market) and contractual prices for the underlying financial instrument, as well as other relevant economic measures.

Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

The fair value of the Company's cash and cash equivalents, accounts receivable, accounts payable and current liabilities approximate their carrying value due to their short-term nature. Due to the variable interest rates periodically adjusting with the current LIBOR, the carrying value of outstanding borrowings under the Company's long-term debt approximates its fair value. (See Note 11). Certain assets and liabilities of the Company are required to be recorded at fair value on either a recurring or non-recurring basis. On a recurring basis, the Company records its marketable securities at fair value using Level 1 or Level 2 inputs. (See Note 2).

The Company's non-financial assets measured at fair value on a non-recurring basis include goodwill and any long-lived assets written down to fair value. To measure fair value of such assets, the Company uses Level 3 inputs consisting of techniques including an income approach and a market approach. The income approach is based on a discounted cash flow analysis and calculates the fair value by estimating the after-tax cash flows attributable to a reporting unit and then discounting the after-tax cash flows to a present value using a risk-adjusted discount rate. Assumptions used in the discounted cash flow analysis require the exercise of significant judgment, including judgment about appropriate discount rates, terminal value, growth rates and the amount and timing of expected future cash flows. There were no transfers between levels within the fair value hierarchy during the 2014 and 2013 fiscal years. (See Note 1.1).

During the 2013 fiscal year, the Company impaired the long-lived assets of Nelco Technology (Zhuhai FTZ) Ltd. (See Note 9).

*Cash and Cash Equivalents* – The Company considers all money market securities and investments with contractual maturities at the date of purchase of 90 days or less to be cash equivalents. The Company had \$19,995 e. and \$0 in debt securities included in cash equivalents at March 2, 2014 and March 3, 2013, respectively, which were valued based on level 2 inputs. (See Note 2). From time to time, certain of the Company's cash and cash equivalents are in excess of U.S. government insurance.

The Company classifies amounts required by the Amended Credit Agreement described in Note 11 to be maintained in cash and marketable securities as restricted cash on the consolidated balance sheets.

Supplemental cash flow information:

	<b>Fiscal Year</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
Cash paid during the year for:			
Income taxes, net of refunds	\$612	\$5,866	\$6,856
Interest	729	-	-

At March 2, 2014 and March 3, 2013, the Company held approximately \$27,195 and \$26,043, respectively, of cash and cash equivalents in foreign financial institutions.

*Marketable Securities* – All marketable securities are classified as available-for-sale and are carried at fair value, with the unrealized gains and losses, net of tax, included in comprehensive income (loss). Realized gains and losses, amortization of premiums and discounts, and interest and dividend income are included in interest and other income, net. The cost of securities sold is based on the specific identification method.

*Inventories* – Inventories are stated at the lower of cost (first-in, first-out method) or market. The Company writes down its inventory for estimated obsolescence or unmarketability based upon the age of the inventory and assumptions about future demand for the Company's products and market conditions.

*Revenue Recognition* – The Company recognizes revenues when products are shipped and title has been transferred to a customer, the sales price is fixed and determinable, and collection is reasonably assured. All material sales transactions are for the shipment of the Company's products.

*Sales Allowances and Product Warranties* – The Company provides for the estimated costs of sales allowances at the time such costs can be reasonably estimated. The Company's products are made to customer specifications and tested for adherence to specifications before shipment to customers. Composite parts and assemblies may be subject to "airworthiness" acceptance by customers after receipt at the customers' locations. There are no future performance requirements other than the products' meeting the agreed specifications. The Company's bases for providing sales allowances for returns are known situations in which products may have failed due to manufacturing defects in products supplied by the Company. The Company is focused on manufacturing the highest quality products and employs stringent manufacturing process controls and works with raw material suppliers who have dedicated themselves to complying with the Company's specifications and technical requirements. The amounts of returns and allowances resulting from defective or damaged products have been less than 1.0% of sales for each of the Company's last three fiscal years.

*Accounts Receivable* – The Company's accounts receivable are due from purchasers of the Company's products. Credit is extended based on evaluation of a customer's financial condition and, generally, collateral is not required. Accounts receivable are due within established payment terms and are stated at amounts due from customers net of an allowance for doubtful accounts. Accounts outstanding longer than established payment terms are considered past due. The Company determines its allowance by considering a number of factors, including the length of time accounts receivable are past due, the Company's previous loss history, the customer's current ability to pay its obligation to the Company, and the conditions of the general economy and the electronics and aerospace industries. If the financial condition of the Company's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The Company writes off accounts receivable when they become uncollectible.



*Valuation of Long-Lived Assets* – The Company assesses the impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. Important factors that could trigger an impairment review include, but are not limited to, significant negative industry or economic trends and significant changes in the use of the Company's assets or strategy of the overall business. No impairments of long-lived assets were identified in the 2014, 2013 or 2012 fiscal years other than impairments associated with restructuring activities. (See Note 9).

*Goodwill and Other Intangible Assets* – Goodwill is not amortized. Other intangible assets are amortized over the useful lives, which is 15 years, of the assets on a straight line basis. The Company tests for impairment of intangible assets whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. With respect to goodwill, the Company first assesses qualitative factors to determine whether it is more likely than not that the fair value is less than the carrying value. If, based on that assessment, the Company believes it is more likely than not that the fair value is less than the carrying value, a two-step goodwill impairment test is performed. The Company assesses the impairment of goodwill at least annually. The Company conducts its annual goodwill impairment test as of the first day of the fourth quarter. The Company concluded that there was no impairment in the 2014, 2013 or 2012 fiscal years.

*Shipping Costs* – The amounts paid by the Company to third-party shippers for transporting products to customers, which are not reimbursed by customers, are classified as selling expenses. The shipping costs included in selling, general and administrative expenses were approximately \$3,781, \$4,080 and \$4,629 for the 2014, 2013 and 2012 fiscal years, respectively.

*Property, Plant and Equipment* – Property, plant and equipment are stated at cost less accumulated depreciation and amortization. The Company capitalizes additions, improvements and major renewals and expenses maintenance, repairs and minor renewals as incurred. Depreciation and amortization are computed principally by the straight-line method over the estimated useful lives of the assets. Machinery, equipment, furniture and fixtures are generally depreciated over 10 years. Building and leasehold improvements are generally depreciated over 25-30 years or the term of the lease, if shorter. The depreciation and amortization expenses associated with property, plant and equipment were \$3,757, \$4,269 and \$5,891 for the 2014, 2013 and 2012 fiscal years, respectively.

*Income Taxes* – Deferred income taxes are provided for temporary differences in the reporting of certain items, such as depreciation and undistributed earnings of foreign subsidiaries, for income tax purposes compared to financial accounting purposes. In evaluating the Company's ability to recover the deferred tax assets within the jurisdiction from which they arise, all positive and negative evidence is considered, including the scheduled reversal of deferred tax liabilities, projected future taxable income, tax planning strategies and results of recent acquisitions. If these estimates and assumptions change in the future, the Company may be required to record additional valuation allowances against its deferred tax assets, resulting in additional income tax expense in the Company's Consolidated Statements of Operations, or conversely to further reduce the existing valuation allowance, resulting in less income tax expense. The Company evaluates the realizability of the deferred tax assets and assesses the need for additional valuation allowances quarterly.





Tax benefits are recognized for an uncertain tax position when, in the Company's judgment, it is more likely than not that the position will be sustained upon examination by a taxing authority. For a tax position that meets the more-likely-than-not recognition threshold, the tax benefit is measured as the largest amount that is judged to have a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority. The liability associated with unrecognized tax benefits is adjusted periodically due to changing circumstances and when new information becomes available. Such adjustments are recognized entirely in the period in which they are identified. The effective tax rate includes the net impact of changes in the liability for unrecognized tax benefits and subsequent adjustments as considered appropriate by the Company. While it is often difficult to predict the final outcome or the timing of resolution of any particular tax matter, the Company believes its liability for unrecognized tax benefits is adequate. Interest and penalties recognized on the liability for unrecognized tax benefits are recorded as income tax expense.

*Foreign Currency Translation* – Assets and liabilities of foreign subsidiaries using currencies other than the U.S. dollar as their functional currency are translated into U.S. dollars at period-end exchange rates or historical p.exchange rates, where applicable, and income and expense items are translated at average exchange rates for the period. Gains and losses resulting from translation are recorded as currency translation adjustments in comprehensive (loss) earnings.

*Stock-Based Compensation* – The Company accounts for employee stock options, the only form of equity compensation issued by the Company, as compensation expense based on the fair value of the options on the date of grant and recognizes such expense on a straight-line basis over the four-year service period during which the q.options become exercisable. The Company determines the fair value of such options using the Black-Scholes option pricing model. The Black-Scholes option pricing model incorporates certain assumptions relating to risk-free interest rate, expected volatility, expected dividend yield and expected life of options, in order to arrive at a fair value estimate.

*Treasury Stock* – The Company considers all shares of the Company's common stock purchased by the Company as r.authorized but unissued shares on the trade date. The aggregate purchase price of such shares is reflected as a reduction to Shareholders' Equity, and such shares are held in treasury at cost.

**2. Marketable Securities**

The following is a summary of available-for-sale securities:

	<b>March 2, 2014</b>			
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
U.S. Treasury and other government securities	\$ 112,793	\$ 112,793	\$ -	\$ -
U.S. corporate debt securities	24,413	17,329	7,084	\$ -
<b>Total marketable securities</b>	<b>\$ 137,206</b>	<b>\$ 130,122</b>	<b>\$ 7,084</b>	<b>\$ -</b>

	<b>March 3, 2013</b>			
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
U.S. Treasury and other government securities	\$ 58,299	\$ 58,299	\$ -	\$ -
U.S. corporate debt securities	30,800	20,859	9,941	\$ -
<b>Total marketable securities</b>	<b>\$ 89,099</b>	<b>\$ 79,158</b>	<b>\$ 9,941</b>	<b>\$ -</b>

At March 2, 2014 and March 3, 2013, the Company's level 2 investments consisted of commercial paper which was not traded on a regular basis or in an active market, and the Company was unable to obtain pricing information on an on-going basis. Therefore, these investments were measured using quoted market prices for similar assets currently trading in an active market or using model-derived valuations in which all significant inputs were observable for substantially the full term of the asset.

The following tables show the amortized cost basis, gross unrealized gains and losses and gross realized gains and losses on the Company's available-for-sale securities:

	<b>Amortized Cost Basis</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>
<b>March 2, 2014:</b>			
U.S. Treasury and other government securities	\$ 112,593	\$ 200	\$ -
U.S. corporate debt securities	24,401	13	1
<b>Total marketable securities</b>	<b>\$ 136,994</b>	<b>\$ 213</b>	<b>\$ 1</b>
<b>March 3, 2013:</b>			
U.S. Treasury and other government securities	\$ 48,293	\$ 47	\$ 48
U.S. corporate debt securities	40,859	11	63

**Total marketable securities**                      **\$ 89,152**    **\$ 58**            **\$ 111**

**Fiscal Year**  
**2014   2013   2012**

Gross realized gains on sale	\$26	\$ 9	\$ 43
Gross realized losses on sale	209	35	65

The estimated fair values of such securities at March 2, 2014, by contractual maturity, are shown below:

Due in one year or less	\$73,301
Due after one year through five years	63,905
	<b>\$137,206</b>

### 3. Other balance sheet data

Other balance sheet data consisted of the following:

	<b>March 2, 2014</b>	<b>March 3, 2013</b>
<b><u>Inventories:</u></b>		
Raw materials	\$7,253	\$6,639
Work-in-process	3,097	2,870
Finished goods	3,223	3,213
Manufacturing supplies	298	196
	<b>\$13,871</b>	<b>\$12,918</b>
<b><u>Property, plant and equipment:</u></b>		
Land, buildings and improvements	\$39,686	\$39,517
Machinery, equipment, furniture and fixtures	133,138	131,950
	<b>172,824</b>	<b>171,467</b>
Less accumulated depreciation and amortization	143,150	139,280
	<b>\$29,674</b>	<b>\$32,187</b>
<b><u>Goodwill and other intangible assets:</u></b>		
Goodwill	\$9,776	\$9,776
Other intangibles	71	78
	<b>\$9,847</b>	<b>\$9,854</b>
<b><u>Accrued liabilities:</u></b>		
Payroll and payroll related	\$1,910	\$2,210
Employee benefits	274	297
Workers' compensation	354	687
Professional fees	1,116	1,002
Restructuring (Note 9)	198	304
Other	1,287	1,516
	<b>\$5,139</b>	<b>\$6,016</b>

*Property, Plant and Equipment* – The New England Laminates Co., Inc. building in Newburgh, New York is held for sale. In the 2004 fiscal year, the Company reduced the book value of the building to zero, and the Company intends to sell it during the 2015 fiscal year. The Nelco Technology (Zhuhai FTZ) Ltd. building in Zhuhai, China is held for sale with a carrying value of \$2,028. The Company ceased depreciating this building during the second quarter of the 2013 fiscal year, and it intends to sell the building during the 2015 fiscal year.

**4. Income Taxes**

The income tax provision includes the following:

	<b>Fiscal Year</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>Current:</b>			
Federal	\$(2,435 )	\$(2,804)	\$(696 )
State and local	(55 )	172	(194 )
Foreign	3,220	5,419	5,077
	<b>730</b>	<b>2,787</b>	<b>4,187</b>
<b>Deferred:</b>			
Federal	63,105	1,652	(239 )
State and local	69	(314 )	658
Foreign	507	(201 )	(397 )
	<b>63,681</b>	<b>1,137</b>	<b>22</b>
	<b>\$64,411</b>	<b>\$3,924</b>	<b>\$4,209</b>

Current federal income tax benefits of \$2,435 and \$2,804 recognized in the 2014 and 2013 fiscal years, respectively, were the result of loss carrybacks to the 2011 and 2010 fiscal years, net of the tax impact from the loss of the domestic production activities deductions in those years.

The Company continuously evaluates the liquidity and capital requirements of its operations in the United States and of its foreign subsidiaries. As a result of such evaluation, the Company recorded a non-cash charge for the accrual of U.S. deferred income taxes in the amount of \$63,958 on undistributed earnings of the Company's subsidiary in Singapore during the fourth quarter of the 2014 fiscal year.

State income tax benefits from loss carryforwards to future years are recognized as deferred tax assets in the 2014 and 2013 fiscal years.

The components of earnings before income taxes were as follows:

	<b>Fiscal Year</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
United States	\$(2,080 )	\$(4,196 )	\$(1,447 )
Foreign	24,162	25,081	29,098
<b>Earnings before income taxes</b>	<b>\$22,082</b>	<b>\$20,885</b>	<b>\$27,651</b>



The Company's effective income tax rate differs from the statutory U.S. Federal income tax rate as a result of the following:

	<b>Fiscal Year</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
Statutory U.S. Federal tax rate	34.0 %	34.0 %	34.0 %
State and local taxes, net of Federal benefit	(0.2 )	(0.8 )	(0.6 )
Foreign tax rate differentials	(19.6 )	(22.3 )	(19.9 )
Valuation allowance on deferred tax assets	2.4	0.4	3.1
Adjustment on tax accruals and reserves	(3.0 )	4.8	(2.4 )
Foreign tax credits	(0.6 )	(0.3 )	(0.3 )
Deferred tax liability on undistributed earnings	289.6	-	-
Claim for refund	(10.5 )	-	-
Permanent differences and other	(0.4 )	2.9	1.3
	<b>291.7 %</b>	<b>18.7 %</b>	<b>15.2 %</b>

The Company had federal net operating loss carryforwards of approximately \$2,042 and \$0 in the 2014 and 2013 fiscal years, respectively, state net operating loss carryforwards of approximately \$8,899 and \$7,013 in the 2014 and 2013 fiscal years, respectively, and total net foreign operating loss carryforwards of approximately \$33,835 and \$35,681 in the 2014 and 2013 fiscal years, respectively. The federal net operating loss carryforwards will expire in 2032 through 2034. The China net operating loss carryforwards will expire in 2015 through 2019, while the France net operating loss carryforward has an unlimited carryforward period. The state net operating loss carryforwards will expire in 2017 through 2034.

The Company has foreign tax credit carryforwards of \$424 and \$354 at March 2, 2014 and March 3, 2013, respectively, which expire in 2021 through 2024. As of March 2, 2014 and March 3, 2013, research and development credits of \$321 and \$282, respectively, expire in 2031 through 2034.

The Company had New York State investment tax credit carryforwards of \$709 and \$710 in the 2014 and 2013 fiscal years, respectively. The New York State Investment tax credits expire in fiscal years 2015 through 2018. The Company has Kansas tax credits of \$211 in both fiscal years 2014 and 2013, for which no benefit has been provided. The Company does not believe that realization of the principal portion of the Kansas tax credit or the investment tax credit carryforward is more likely than not. The Kansas credits will expire in the 2019 and 2020 fiscal years.

The deferred tax asset valuation allowance of \$11,941 as of March 2, 2014 relates to foreign net operating losses and state tax credit carryforwards for which the Company does not expect to realize any tax benefit. During the 2014 fiscal year, the valuation allowance decreased by \$524 primarily due to the expiration of foreign net operating loss

carryforwards for which no tax benefit was recognized. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts for income tax purposes.

Significant components of the Company's deferred tax assets and liabilities as of March 2, 2014 and March 3, 2013 were as follows:

	<b>March 2, 2014</b>	<b>March 3, 2013</b>
<b>Deferred tax assets:</b>		
Depreciation	\$4,593	\$4,190
Net operating loss carryforwards	12,210	11,917
Tax credits carryforward	1,695	1,343
Stock options	1,693	953
Other, net	665	1,387
	<b>20,856</b>	<b>19,790</b>
Valuation allowance on deferred tax assets	(11,941)	(12,465)
<b>Total deferred tax assets, net of valuation allowance</b>	<b>8,915</b>	<b>7,325</b>
Depreciation	(867 )	(419 )
Undistributed earnings	(63,958)	-
Other	(1,616 )	(741 )
<b>Total deferred tax liabilities</b>	<b>(66,441)</b>	<b>(1,160 )</b>
<b>Net deferred tax (liability) asset</b>	<b>\$(57,526)</b>	<b>\$6,165</b>

The breakdown between current and non-current deferred tax assets follows:

	<b>March 2, 2014</b>	<b>March 3, 2013</b>
Current	\$ 598	\$1,206
Non-current	-	5,771
<b>Total deferred tax assets</b>	<b>\$ 598</b>	<b>\$6,977</b>

On the Consolidated Balance Sheets, the current net deferred tax assets are included in prepaid expenses and other current assets, and the non-current net deferred tax assets are included in other assets.

At March 2, 2014, the Company had gross unrecognized tax benefits of \$152 included in current liabilities and \$124 included in other liabilities. The prior year unrecognized tax benefit of \$2,715 relating to a claim for refund filed to

recoup the tax benefit for the Company's remaining investment in New England Laminates (U.K.) Ltd was settled with the IRS in 2014 for \$1,949 plus interest of \$375. If any portion of the unrecognized tax benefits at March 2, 2014 were recognized, the Company's effective tax rate would change.

A reconciliation of the beginning and ending amounts of unrecognized tax benefits is as follows:

	<b>Unrecognized Tax Benefits</b>		
	<b>March</b>	<b>March</b>	<b>February</b>
	<b>2,</b>	<b>3,</b>	<b>26,</b>
	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>Balance, beginning of year</b>	<b>\$3,053</b>	<b>\$3,999</b>	<b>\$ 2,044</b>
Gross increases-tax positions in prior period	-	-	2,715
Gross decreases-tax positions in prior period	(2,776)	(235 )	(268 )
Gross increases-current period tax positions	-	-	264
Audit settlements	-	(711 )	(756 )
Lapse of statute of limitations	(1 )	-	-
<b>Balance, end of year</b>	<b>\$276</b>	<b>\$3,053</b>	<b>\$ 3,999</b>

The amount of unrecognized tax benefits may increase or decrease in the future for various reasons, including adding or subtracting amounts for current year tax positions, expiration of statutes of limitation on open income tax years, changes in the Company's judgment about the level of uncertainty, status of tax examinations, and legislative changes. Changes in prior period tax positions are the result of a re-evaluation of the probability of realizing the benefit of a particular tax position based on new information. It is reasonably possible that none of the unrecognized tax benefits will be recognized in the 2014 fiscal year upon the expiration of statutes of limitations.

A list of open tax years by major jurisdiction follows:

California 2010-2014  
 New York 2008-2014  
 France 2012-2014  
 Singapore 2007-2014

The Company had approximately \$98 and \$95 of accrued interest and penalties as of March 2, 2014 and March 3, 2013, respectively. The Company's policy is to include applicable interest and penalties related to unrecognized tax benefits as a component of current income tax expense.

During the 2012 fiscal year, the New York State Department of Taxation commenced an examination of the Company's tax returns for the 2008, 2009, 2010 and 2011 fiscal years. As of March 2, 2014, no significant preliminary audit findings were received by the Company and no reserves have been recorded.

## **5. STOCK-BASED COMPENSATION**

As of March 2, 2014, the Company had a 2002 Stock Option Plan (the “Plan”), and no other stock-based compensation plan. The Plan has been approved by the Company’s shareholders and provides for the grant of stock options to directors and key employees of the Company. All options granted under the Plan have exercise prices equal to the fair market value of the underlying common stock of the Company at the time of grant, which, pursuant to the terms of the Plan, is the reported closing price of the common stock on the New York Stock Exchange on the date preceding the date the option is granted. Options granted under the Plan become exercisable 25% one year after the date of grant, with an additional 25% exercisable each succeeding anniversary of the date of grant, and expire 10 years after the date of grant. Options to purchase a total of 1,800,000 shares of common stock were authorized for grant under the Plan. At March 2, 2014, 1,548,330 shares of common stock of the Company were reserved for issuance upon exercise of stock options under the Plan, and 467,213 options were available for future grant under the Plan.

The compensation expense for stock options includes an estimate for forfeitures and is recognized on a straight line basis over the requisite service period.

The future compensation expense to be recognized in earnings before income taxes for options outstanding at March 2, 2014 was \$3,227, which is expected to be recognized ratably over a weighted average vesting period of 2.06 years.

The Company records its stock-based compensation at fair value. The weighted average fair value for options was estimated at the dates of grants, using the Black-Scholes option pricing model. The following table represents the weighted average fair value and valuation assumptions used for options granted in the 2014, 2013 and 2012 fiscal years:

	<b>Fiscal Year</b>					
	<b>2014</b>		<b>2013</b>		<b>2012</b>	
Weighted average fair value of option grants	\$8.79		\$8.56		\$6.96	
Risk-free interest rates	1.64 - 2.15%		1.50 - 1.80%		1.90%	
Expected stock price volatility	32.80- 34.00%		35.02- 37.06%		35.40%	
Expected dividend yields	1.46 - 1.67%		1.54 - 1.65%		1.50- 1.80%	
Estimated option terms (years)	6.1 - 8.1		5.7 - 6.9		5.4 - 6.5	

The risk-free interest rates are based on U.S. Treasury rates at the date of grant with maturity dates approximately equal to the estimated term of the options at the date of the grant. Volatility factors are based on historical volatility of the Company's common stock. The expected dividend yields are based on the regular quarterly cash dividend per share most recently declared by the Company and on the exercise price of the options granted during the 2014 fiscal year. The estimated terms of the options are based on evaluations of the historical and expected future employee exercise behavior.

During the fourth quarter of the 2014 fiscal year, the Company's Board of Directors approved a reduction of \$2.50 per share in the exercise price of all outstanding options as a result of the special cash dividend of \$2.50 per share paid by the Company in February 2014. The reduction in the exercise price was treated as a modification of the stock options for accounting purposes. The modification, based on the fair value of the options both immediately before and after the modification, resulted in a total of incremental compensation expense of \$731 during the 2014 fiscal year, which was recorded in selling, general and administrative expenses.





Information with respect to stock option activity follows:

	<b>Outstanding Options</b>	<b>Weighted Average Exercise Price</b>	<b>Weighted Average Remaining Contractual Term (in years)</b>	<b>Aggregate Intrinsic Value</b>
<b>Balance, February 27, 2011</b>	<b>802,089</b>	<b>\$ 26.05</b>		
Granted	198,750	22.53		
Exercised	(73,412 )	24.65		
Terminated or expired	(11,476 )	25.75		
<b>Balance, February 26, 2012</b>	<b>915,951</b>	<b>\$ 25.40</b>		
Granted	205,520	25.60		
Exercised	(35,987 )	21.16		
Terminated or expired	(107,701 )	25.91		
<b>Balance, March 3, 2013</b>	<b>977,783</b>	<b>\$ 25.54</b>		
Granted	193,600	27.20		
Exercised	(51,266 )	23.44		
Terminated or expired	(39,000 )	26.07		
Granted under option modification	902,517	23.13		
Cancelled under option modification	(902,517 )	25.63		
<b>Balance, March 2, 2014</b>	<b>1,081,117</b>	<b>\$ 23.84</b>	<b>6.09</b>	<b>\$ 5,029</b>
<b>Exercisable, March 2, 2014</b>	<b>664,329</b>	<b>\$ 23.46</b>	<b>4.26</b>	<b>\$ 3,343</b>

The aggregate intrinsic values realized (the market value of the underlying shares on the date of exercise, less the exercise price, times the number of shares acquired) from the exercise of options during the 2014, 2013 and 2012 fiscal years were \$249, \$227 and \$402, respectively.

A summary of the status of the Company's non-vested options at March 2, 2014, and changes during the fiscal year then ended, is presented below:

	<b>Shares</b>	<b>Weighted</b>
	<b>Subject</b>	<b>Average</b>
	<b>to</b>	<b>Grant</b>
	<b>Options</b>	<b>Date Fair</b>
		<b>Value</b>
<b>Nonvested, beginning of year</b>	<b>363,708</b>	<b>\$ 8.07</b>
Granted	193,600	8.79
Vested	(122,422)	8.08
Terminated or expired	(18,098 )	7.81
<b>Nonvested, end of year</b>	<b>416,788</b>	<b>\$ 8.41</b>

## 6.SHAREHOLDERS' EQUITY

*Shareholders' Rights Plan* – On July 20, 2005, the Board of Directors renewed the Company's shareholders' rights plan on substantially the same terms as its previous rights plan which expired in July 2005. In accordance with the Company's shareholders' rights plan, a right (the "Right") to purchase from the Company a unit consisting of one one-thousandth (1/1,000) of a share (a "Unit") of Series B Junior Participating Preferred Stock, par value \$1.00 per share (the "Series B Preferred Stock"), at a purchase price of \$150 (the "Purchase Price") per Unit, subject to adjustment, is attached to each outstanding share of the Company's common stock. The Rights expire on July 20, 2015. Subject to certain exceptions, the Rights will become exercisable 10 business days after a person acquires 20 percent or more of the Company's outstanding common stock or commences a tender offer that would result in such person's owning 20 percent or more of such stock. If any person acquires 20 percent or more of the Company's outstanding common stock, the rights of holders, other than the acquiring person, become rights to buy shares of the Company's common stock (or of the acquiring company if the Company is involved in a merger or other business combination and is not the surviving corporation) having a market value of twice the Purchase Price of each Right. The Company may redeem the Rights for \$.01 per Right until 10 business days after the first date of public announcement by the Company that a person acquired 20 percent or more of the Company's outstanding common stock.

*Treasury Stock* – The Company announced on October 18, 2012 that its Board of Directors had authorized the Company's purchase, on the open market and in privately negotiated transactions, of up to 1,000,000 shares of its common stock, representing approximately 5% of the Company's 20,802,020 total outstanding shares as of the close of business on October 17, 2012. During the 2014 and 2013 fiscal years, the Company purchased 0 and 3,905 shares, respectively, pursuant to such authorization at an aggregate purchase price of \$0 and \$93, respectively, leaving 996,095 shares that may be purchased pursuant to such authorization. In addition, the Company purchased 3 and 8 shares during the 2014 and 2013 fiscal years, respectively, not pursuant to such authorization.

*Reserved Common Shares* – At March 2, 2014, 1,548,330 shares of common stock were reserved for issuance upon exercise of stock options.

*Accumulated Other Comprehensive Income* – Accumulated balances related to each component of other comprehensive income were as follows:

	<b>March 2, 2014</b>	<b>March 3, 2013</b>
Currency translation adjustment	\$1,083	\$ 663
Unrealized gains (losses) on investments, net of tax	138	(34 )
<b>Accumulated balance</b>	<b>\$1,221</b>	<b>\$ 629</b>

## 7. EARNINGS PER SHARE

Basic earnings per share are computed by dividing net earnings by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share are computed by dividing net earnings by the sum of (a) the weighted average number of shares of common stock outstanding during the period and (b) the potential common stock equivalents outstanding during the period. Stock options are the only common stock equivalents; and the number of dilutive options is computed using the treasury stock method.

The following table sets forth the calculation of basic and diluted earnings per share:

<i>(Amounts in thousands, except per share amounts)</i>	<b>Fiscal Year</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>Net Earnings</b>	<b>\$(42,329)</b>	<b>\$16,961</b>	<b>\$23,442</b>
Weighted average common shares outstanding for basic EPS	20,849	20,801	20,746
Net effect of dilutive options	-	22	46
<b>Weighted average outstanding for diluted EPS</b>	<b>20,849</b>	<b>20,823</b>	<b>20,792</b>
<b>Basic (loss) earnings per share</b>	<b>\$(2.03 )</b>	<b>\$0.82</b>	<b>\$1.13</b>
<b>Diluted (loss) earnings per share</b>	<b>\$(2.03 )</b>	<b>\$0.81</b>	<b>\$1.13</b>

Common stock equivalents, which were not included in the computation of diluted earnings per share because either the effect would have been antidilutive or the options' exercise prices were greater than the average market price of the common stock, were approximately 1,081,000, 423,000 and 197,000 for the 2014, 2013 and 2012 fiscal years, respectively.

## **8. LITIGATION AND INSURANCE SETTLEMENTS**

During the 2013 fiscal year, the Company recorded pre-tax other income of \$1,000 resulting from the settlement of a business interruption insurance claim at the Company's Neltec, Inc. ("Neltec") business unit in Tempe, Arizona and Nelco Products, Inc. ("Nelco") business unit in Fullerton, California resulting from an interruption of material shipments from one of the Company's vendors located in Japan to these subsidiaries caused by the March 2011 tsunami in Japan. The settlement amount has been recorded in litigation and insurance settlements on the Consolidated Statements of Operations.

During the 2013 fiscal year, the Company settled all pending litigation with Isola USA Corporation ("Isola") for \$1,000, which has been recorded in litigation and insurance settlements on the Consolidated Statements of Operations. The settlement resulted in the dismissal of the patent infringement lawsuit that Isola filed against Park, Nelco and Neltec. Park, Nelco and Neltec agreed to refrain from challenging the validity or enforceability of any of the applicable patents. In the settlement, neither party admitted any liability or wrongdoing. (See Note 13).

During the 2012 fiscal year, the Company recorded pre-tax other income of \$1,598 resulting from the settlements of (a) a lawsuit for an insurance claim for business interruption at the Company's Neltec business unit in Tempe, Arizona in the 2003 fiscal year caused by the explosion and resulting destruction of a treater at the Company's business unit in Singapore and (b) a lawsuit pertaining to defective equipment purchased by the Company's Park Aerospace Technologies Corp. business unit in Newton, Kansas. The gain has been recorded in litigation and insurance settlements on the Consolidated Statements of Operations.

## **9.RESTRUCTURING CHARGES**

During the 2013 fiscal year, the Company recorded restructuring charges of \$2,730, related to the closure of the Company's Nelco Technology (Zhuhai FTZ) Ltd. business unit located in Zhuhai, China. The charges include a non-cash asset impairment charge of \$3,620, related to property, plant and equipment, and are net of the recapture of a non-cash cumulative currency translation adjustment of \$1,465. The reclassification of the non-cash cumulative currency translation adjustment was included in foreign currency translation changes in the Consolidated Statements of Comprehensive (Loss) Earnings. The Company has a building with a carrying value of \$2,028 as of March 2, 2014, which is held for sale at its Nelco Technology (Zhuhai FTZ) Ltd. business unit. The Company ceased depreciating this building during the 2013 fiscal year second quarter and expects to sell the building in the 2015 fiscal year. During the 2014 fiscal year, the Company recorded \$546 of additional pre-tax charges related to such closure. The Company paid \$526 of such charges during the 2014 fiscal year and does not expect to record any additional charge in connection with such closure.

In the 2012 fiscal year fourth quarter, the Company recorded a pre-tax charge of \$1,250 related to the closing of the Company's Park Advanced Composite Materials, Inc. business unit located in Waterbury, Connecticut. The charge for closing the business unit included a non-cash asset impairment charge of \$928 related to property, plant and equipment. As a result of the closing, the Company recorded \$820 of additional pre-tax charges during the 2013 fiscal year. The Company paid \$51 and \$1,091 of such charges during the 2014 and 2013 fiscal years, respectively. The Company does not expect to record any additional charge resulting from such closing.

As of February 26, 2012, the Company had remaining obligations and potential liabilities in the aggregate amount of \$1,187 related to the closure, in January of 2009, of the Neltec Europe SAS printed circuit materials business unit and recorded an additional pre-tax charge of \$153 in the 2013 fiscal year fourth quarter. The Company paid \$1,133 of these obligations in the 2013 fiscal year and settled the remaining \$207 during the 2014 fiscal year.

## **10.EMPLOYEE BENEFIT PLANS**

*Profit Sharing Plan* – The Company and certain of its subsidiaries have a non-contributory profit sharing retirement plan covering substantially all full-time employees in the United States. The plan may be modified or terminated at any time, but in no event may any portion of the contributions revert back to the Company. The Company's estimated

contributions are accrued at the end of each fiscal year and paid to the plan in the subsequent fiscal year. The Company's contributions to the plan were \$256 and \$460 for fiscal years 2013 and 2012, respectively. The contribution for fiscal year 2014 has not been paid. Contributions are discretionary and may not exceed the amount allowable as a tax deduction under the Internal Revenue Code.

*Savings Plan* – The Company also sponsors a 401(k) savings plan, pursuant to which the contributions of employees of certain subsidiaries were partially matched by the Company in the amounts of \$142, \$154 and \$164 in the 2014, 2013 and 2012 fiscal years, respectively.

## 11. LONG-TERM DEBT

On January 30, 2013, the Company entered into a five-year revolving credit facility agreement (the "Credit Agreement") with PNC Bank, National Association. The Credit Agreement provided for loans up to \$52,000 (the "Facility") to the Company and letters of credit up to \$2,000 for the account of the Company. The Company borrowed \$52,000 to finance a special dividend paid to shareholders of the Company in the 2013 fiscal year fourth quarter.

On February 12, 2014, the Company entered into a four-year amended and restated revolving credit facility agreement (the "Amended Credit Agreement") with PNC Bank, National Association. The Amended Credit Agreement provides for loans up to \$104,000 (the "Amended Facility") to the Company and letters of credit up to \$2,000 for the account of the Company. To date, the Company has borrowed \$52,000 to finance a special dividend paid to shareholders of the Company in the 2014 fiscal year fourth quarter and an additional \$52,000 to continue the loan that was provided under the Credit Agreement, and PNC Bank has issued two standby letters of credit for the account of the Company in the total amount of \$1,120 to secure the Company's obligations under its workers' compensation insurance program.

Borrowings under the Amended Facility bear interest at a rate equal to, at the Company's option, either a (a) LIBOR rate option determined by a fluctuating rate per annum equal to the LIBOR Rate plus 1.10% or (b) base rate option determined by a fluctuating rate per annum equal to the highest of (i) the Federal Funds Open Rate (as defined in the Amended Credit Agreement) plus 0.5%, (ii) the Prime Rate (as defined in the Amended Credit Agreement), and (iii) the Daily LIBOR Rate (as defined in the Amended Credit Agreement) plus 1.0%. Under the Amended Credit Agreement, the Company also is obligated to pay a nonrefundable commitment fee, accruing from February 12, 2014 until the earlier of February 12, 2018 and the date on which the Amended Credit Agreement is terminated, equal to 0.20% per annum multiplied by the average daily difference between the amount of (a) the revolving credit commitment and (b) the revolving facility usage, payable quarterly in arrears.

The Amended Credit Agreement also contains certain customary affirmative and negative covenants and customary financial covenants that require the Company to maintain a minimum fixed charge coverage ratio of 1.10 to 1.00 at the end of each fiscal quarter and not to exceed a maximum funded debt ratio, which decreases periodically, of (a) 3.75 to 1.00 through February 28, 2015, (b) 3.50 to 1.00 for the period March 1, 2015 through February 27, 2016, (c) 3.00 to 1.00 for the period February 28, 2016 through February 25, 2017, and (d) 2.25 to 1.00 for all periods thereafter. In addition, the Company must maintain minimum domestic liquid assets of \$25,000 in cash and marketable securities and a quick ratio (as defined in the Amended Credit Agreement), which decreases periodically, of (a) 10.50 to 1.00 through February 28, 2015, (b) 10.00 to 1.00 for the period March 1, 2015 through February 27, 2016, (c) 8.50 to 1.00 for the period from February 28, 2016 through February 25, 2017, and (d) 3.25 to 1.00 for all periods thereafter. As of March 2, 2014, the Company was in compliance with these financial covenants. The dividend covenant permits the Company to pay regular quarterly dividends in amounts not exceeding \$0.10 per share and an annual special dividend to shareholders in amounts ranging from \$1.00 to \$2.50 with prior written notification to PNC Bank, National Association. The Company's obligations under the Amended Credit Agreement are guaranteed by its Nelco Products, Inc., Neltec, Inc. and Park Aerospace Technologies Corp. subsidiaries and secured by a pledge of 65% of the capital stock of the Company's Nelco Products Pte. Ltd. subsidiary in Singapore. The minimum domestic liquid assets of \$25,000 are reflected as restricted cash on the Consolidated Balance Sheets.



The Amended Facility is available to (i) refinance the Credit Agreement, (ii) support working capital and general corporate needs, including the issuance of letters of credit, (iii) fund special distributions to the Company's shareholders permitted under the Amended Facility, and (iv) finance on-going capital expenditures and acquisitions. At March 2, 2014, \$104,000 of indebtedness was outstanding under the Amended Credit Agreement with an interest rate of 1.30%. Interest expense recorded under the Facility and Amended Facility was approximately \$764 and \$14 during the 2014 and 2013 fiscal years, respectively, which is included in interest expense on the Consolidated Statements of Operations.

At March 2, 2014, scheduled principal maturities of long-term debt were as follows:

<b>Fiscal Year</b>	<b>Amount</b>
2015	\$ 10,000
2016	10,000
2017	15,000
2018	69,000
	<b>\$104,000</b>
Less current portion:	10,000
	<b>\$94,000</b>

## **12. Commitments**

The Company conducts certain of its operations in leased facilities, which include several manufacturing plants, warehouses and offices. The leases of facilities are for terms of up to 10 years, the latest of which expires in 2016. Many of the leases contain renewal options for periods ranging from one to ten years and require the Company to pay real estate taxes and other operating costs. The latest land lease expiration is 2054.

These non-cancelable leases have the following payment schedule:

<b>Fiscal Year</b>	<b>Amount</b>
2015	\$ 1,886
2016	1,246
2017	336
2018	213
2019	213
Thereafter	3,828
	<b>\$ 7,722</b>

Rental expenses, inclusive of real estate taxes and other costs, were \$2,765, \$3,068 and \$3,734 for the 2014, 2013 and 2012 fiscal years, respectively. In addition, the Company has commitments to purchase raw materials for \$1,201, which extend through November 2015, and commitments to purchase equipment for \$87.

## **13. CONTINGENCIES**

Litigation

The Company is subject to a number of proceedings, lawsuits and other claims related to environmental, employment, product and other matters. The Company is required to assess the likelihood of any adverse judgments or outcomes in these matters as well as potential ranges of probable losses. A determination of the amount of reserves required, if any, for these contingencies is made after careful analysis of each individual issue. The required reserves may change in the future due to new developments in each matter or changes in approach, such as a change in settlement strategy in dealing with these matters. The Company believes that the ultimate disposition of such proceedings, lawsuits and claims will not have a material adverse effect on the liquidity, capital resources, business or consolidated results of operations or financial position of the Company.

In June 2012, Isola USA Corporation filed a complaint against the Company and its Nelco Products, Inc. and Neltec, Inc. business units in the United States District Court for the District of Arizona, in Phoenix, Arizona, alleging that the sales of certain products by Park and the two aforementioned business units in the United States infringe two United States patents owned by Isola. Isola amended the complaint in August 2012 to add a third United States patent. In the 2013 fiscal year fourth quarter, Isola and Park agreed to settle all pending litigation between the parties related to Isola's patents for the use of Styrene Maleic Anhydride ("SMA") in laminates for \$1,000, which has been recorded in litigation and insurance settlements on the Consolidated Statements of Operations. The settlement resulted in the dismissal of the patent infringement lawsuit that Isola filed against Park, Nelco and Neltec. Park, Nelco and Neltec agreed to refrain from challenging the validity or enforceability of any of Isola's SMA patents. In the settlement, neither party admitted any liability or wrongdoing.

### Environmental Contingencies

The Company and certain of its subsidiaries have been named by the Environmental Protection Agency (the "EPA") or a comparable state agency under the Comprehensive Environmental Response, Compensation and Liability Act (the "Superfund Act") or similar state law as potentially responsible parties in connection with alleged releases of hazardous substances at four sites. In addition, a subsidiary of the Company has received a cost recovery claim under a state law similar to the Superfund Act from a private party involving one other site.

Under the Superfund Act and similar state laws, all parties who may have contributed any waste to a hazardous waste disposal site or contaminated area identified by the EPA or comparable state agency may be jointly and severally liable for the cost of cleanup. Generally, these sites are locations at which numerous persons disposed of hazardous waste. In the case of the Company's subsidiaries, generally the waste was removed from their manufacturing facilities and disposed at waste sites by various companies which contracted with the subsidiaries to provide waste disposal services. Neither the Company nor any of its subsidiaries have been accused of or charged with any wrongdoing or illegal acts in connection with any such sites. The Company believes it maintains an effective and comprehensive environmental compliance program.

The insurance carriers who provided general liability insurance coverage to the Company and its subsidiaries for the years during which the Company's subsidiaries' waste was disposed at these sites have in the past reimbursed the Company and its subsidiaries for 100% of their legal defense and remediation costs associated with three of these sites.

The total costs incurred by the Company and its subsidiaries in connection with these sites, including legal fees incurred by the Company and its subsidiaries and their assessed share of remediation costs and excluding amounts expected to be reimbursed by insurance carriers, were approximately \$8, \$56 and \$127 in the 2014, 2013 and 2012 fiscal years, respectively. The Company had no recorded liabilities for environmental matters for the 2014 and 2013 fiscal years.



Such recorded liabilities do not include environmental liabilities and related legal expenses for which the Company believes that it and its subsidiaries have general liability insurance coverage for the years during which the Company's subsidiaries' waste was disposed at three sites for which certain subsidiaries of the Company have been named as potentially responsible parties. Pursuant to such general liability insurance coverage, two insurance carriers have been paying 100% of the legal defense and remediation costs associated with such three sites since 1985. In the 2012 fiscal year fourth quarter, one of such insurance carriers, which had been paying 45% of such legal defense and remediation costs, indicated that it no longer agreed to such percentage. As a result, the Company commenced litigation against such insurance carriers and a third insurance carrier. The three insurance carriers have filed answers to the lawsuit, and one has asserted counter claims against the Company. The insurance carriers and the Company are engaged in discussions to settle this matter. The Company does not expect any such settlement to have a material adverse effect on the Company's results of operations, cash flows or financial position.

Included in selling, general and administrative expenses are charges for actual expenditures and accruals, based on estimates, for certain environmental matters described above. The Company accrues estimated costs associated with known environmental matters, when such costs can be reasonably estimated and when the outcome appears probable. The Company believes that the ultimate disposition of known environmental matters, including the litigation described above, will not have a material adverse effect on the liquidity, capital resources, business or consolidated results of operations or financial position of the Company.

#### **14. GEOGRAPHIC REGIONS**

The Company is a global advanced materials company which develops, manufactures, markets and sells high technology digital and RF/microwave printed circuit materials principally for the telecommunications and internet infrastructure and high-end computing markets and advanced composite materials, parts and assemblies for the aerospace markets. The Company's products are sold to customers in North America, Asia and Europe. The Company's manufacturing facilities are located in Singapore, France, Kansas, Arizona and California. The Company operates as a single operating segment, which is advanced materials for the electronics and aerospace markets, with common management and identical or very similar economic characteristics, products, raw materials, manufacturing processes and equipment, customers and markets, marketing, sales and distribution methods and regulatory environments. The chief operating decision maker reviews financial information on a consolidated basis.

Sales are attributed to geographic region based upon the region in which the materials were delivered to the customer. Sales between geographic regions were not significant.

Financial information regarding the Company's operations by geographic region is as follows:

	<b>Fiscal Year</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>Sales:</b>			
United States	\$80,880	\$79,336	\$83,877
Asia (China, South Korea and all other)	71,853	78,559	82,325
All other	13,031	18,521	27,052
<b>Total sales</b>	<b>165,764</b>	<b>176,416</b>	<b>193,254</b>
<b>Long-lived assets:</b>			
United States	26,899	34,555	35,419
Asia	13,557	14,102	18,584
Europe	397	327	395
<b>Total long-lived assets</b>	<b>\$40,853</b>	<b>\$48,984</b>	<b>\$54,398</b>

## 15. Customer and Supplier Concentrations

*Customers* – Sales to TTM Technologies Inc. were 15.8%, 16.1% and 15.7% of the Company's total worldwide sales for the 2014, 2013 and 2012 fiscal years, respectively. Sales to Sanmina-SCI Corporation were 10.1% and 11.5% of the Company's total worldwide sales for the 2013 and 2012 fiscal years, respectively. Sales to subsidiaries of Flextronics International, Ltd. were 10.0%, of the Company's total worldwide sales for the 2012 fiscal year.

While no other customer accounted for 10% or more of the Company's total worldwide sales in the 2014, 2013 or 2012 fiscal years, the loss of a major printed circuit materials customer or of a group of customers could have a material adverse effect on the Company's business or consolidated results of operations or financial position.

*Sources of Supply* – The principal materials used in the manufacture of the Company's high-technology printed circuit materials and advanced composite materials, parts and assemblies are specially manufactured copper foil, fiberglass cloth and synthetic reinforcements, and specially formulated resins and chemicals. Although there is a limited number of qualified suppliers of these materials, the Company has nevertheless identified alternate sources of supply for many of such materials. While the Company has not experienced significant problems in the delivery of these materials and considers its relationships with its suppliers to be strong, a disruption of the supply of material from a principal supplier could adversely affect the Company's business. Furthermore, substitutes for these materials are not readily available, and an inability to obtain essential materials, if prolonged, could materially adversely affect the Company's business. The Company experienced a supply chain issue in Japan as a result of the earthquake and tsunami in Japan in March 2011. Such issue was resolved during the 2012 fiscal year third quarter.





## 16. ACCOUNTING PRONOUNCEMENTS

### Recently Adopted

In February 2013, the FASB issued authoritative guidance that requires disclosure of amounts reclassified out of accumulated other comprehensive income (“AOCI”) by component. In addition, an entity is required to present, either on the face of the financial statements or in the notes, significant amounts reclassified out of AOCI by the respective line items of net income, but only if the amount reclassified is required to be reclassified in its entirety in the same reporting period. For amounts that are not required to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures that provide additional details about such amounts. The Company adopted this guidance effective March 4, 2013, the first day of the Company’s 2014 fiscal year, and the adoption of this guidance did not impact the Company’s results of operations, cash flows or financial condition.

### Recently Issued

In March 2013, the FASB issued authoritative guidance which states that when a parent sells an investment in a foreign entity and ceases to have a controlling interest in that foreign entity, or when a foreign subsidiary disposes of substantially all of its assets, or when a parent acquires control of a foreign entity in which the parent held an equity interest before the acquisition date, the cumulative translation adjustment should be released into net income. This guidance is effective prospectively for fiscal years (and interim reporting periods within those fiscal years) beginning after December 15, 2013, with early adoption permitted, which is the first quarter of the Company’s 2015 fiscal year. The Company does not expect that the adoption of this guidance will have a material impact on the Company’s results of operations, cash flows or financial condition.

**PARK ELECTROCHEMICAL CORP. AND SUBSIDIARIES****Selected Quarterly Financial Data (Unaudited)**

(Amounts in thousands, except per share amounts)

	<b>Quarter</b>			
	<b>First</b>	<b>Second</b>	<b>Third</b>	<b>Fourth</b>
<b>Fiscal 2014:</b>				
Net sales	\$43,438	\$44,497	\$39,678	\$38,151
Gross profit	12,991	13,621	11,038	10,450
Net Earnings (Loss)	4,929	8,045	4,721	(60,024)
Basic net earnings (loss) per share	\$0.24	\$0.39	\$0.23	\$(2.88 )
Diluted net earnings (loss) per share	\$0.24	\$0.39	\$0.23	\$(2.88 )
Weighted average common shares outstanding:				
Basic	20,828	20,836	20,857	20,873
Diluted	20,844	20,852	20,917	20,873
 <b>Fiscal 2013:</b>				
Net sales	\$46,046	\$46,430	\$41,265	\$42,675
Gross profit	12,976	13,199	12,540	11,835
Net Earnings	4,933	3,246	4,710	4,072
Basic net earnings per share	\$0.24	\$0.16	\$0.23	\$0.20
Diluted net earnings per share	\$0.24	\$0.16	\$0.23	\$0.20
Weighted average common shares outstanding:				
Basic	20,796	20,800	20,801	20,806
Diluted	20,849	20,819	20,803	20,822

Earnings per share are computed separately for each quarter. Therefore, the sum of such quarterly per share amounts may differ from the total for each year.

During the fourth quarter of the 2014 fiscal year, the Company provided for U.S. deferred income taxes in the amount of \$63,958 on the undistributed earnings of the Company's subsidiary in Singapore. See Note 4 of the Notes to Consolidated Financial Statements in Item 8 of Part II of this Report

During the fourth quarter of the 2014 fiscal year, the Company's Board of Directors approved a reduction of \$2.50 per share in the exercise price of all outstanding stock options as a result of the special cash dividend of \$2.50 per share paid by the Company in February 2014. The reduction in the exercise price was treated as a modification of the stock options for accounting purposes. The modification, based on the fair value of the options both immediately before and

after the modification, resulted in a total of incremental compensation expense of \$731 during the fourth quarter of the 2014 fiscal year, which was recorded in selling, general and administrative expenses.

**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.**

Not applicable.

## ITEM 9A. CONTROLS AND PROCEDURES.

### (a) Disclosure Controls and Procedures.

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of March 2, 2014, the end of the fiscal year covered by this annual report. Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such fiscal year, due to the material weakness in internal control over financial reporting described below, the Company's disclosure controls and procedures were not effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act and are not effective in ensuring that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

### (b) Management's Annual Report on Internal Control Over Financial Reporting.

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in the United States of America. The Company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company, (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company, and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

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

A “material weakness” in internal control over financial reporting is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of a company’s annual or interim financial statements will not be prevented or detected in a timely basis by the company’s internal controls.

Management assessed the effectiveness of the Company’s internal control over financial reporting as of March 2, 2014. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) in 1992 Internal Control–Integrated Framework. Based on adjustments identified in the accounting for complex and non-routine transactions, management concluded that the Company did not have adequate policies and procedures in place to ensure the timely, effective review of such transactions. Therefore, there was a material weakness in the design and operating effectiveness of the internal control over these complex and non-routine transactions. Management concluded that the Company’s internal control over financial reporting was not effective as of March 2, 2014. Notwithstanding the existence of the material weakness, management has concluded that the consolidated financial statements in this report present fairly, in all material respects, the Company’s financial position and the results of our operations and cash flows as of the dates and for the periods presented, in conformity with accounting principles generally accepted in the United States of America (“GAAP”).

The independent registered public accounting firm that audited the Company’s financial statements included in this Annual Report on Form 10-K has issued an attestation report on the Company’s internal control over financial reporting. That report appears in Item 9A(c) below.

(c) Attestation Report of the Independent Registered Public Accounting Firm.

## **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Board of Directors and Shareholders

Park Electrochemical Corp.

We have audited the internal control over financial reporting of Park Electrochemical Corp. (a New York corporation) and subsidiaries (the “Company”) as of March 2, 2014, based on criteria established in the 1992 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit.

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

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

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

A material weakness is a deficiency, or combination of control deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weakness has been identified and included in management's assessment. Management disclosed that a material weakness in internal control exists relating to its process and procedures over complex and non-routine transactions to ensure their timely and effective review.

In our opinion, because of the effect of the material weakness described above on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of March 2, 2014, based on criteria established in the 1992 *Internal Control—Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of the Company as of and for the year ended March 2, 2014. The material weakness identified above was considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2014 consolidated financial statements, and this report does not affect our report dated May 16, 2014, which expressed an unqualified opinion on those financial statements.

/s/GRANT THORNTON LLP

New York, New York

May 16, 2014

(d) Changes in Internal Control Over Financial Reporting.

There has not been any change in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fourth fiscal quarter of the fiscal year to which this report relates that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

**ITEM 9B. OTHER INFORMATION.**

None.



## **PART III**

### **ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.**

The information called for by this item (except for information as to the Company's executive officers, which information appears elsewhere in this Report) is incorporated by reference to the Company's definitive proxy statement for the 2014 Annual Meeting of Shareholders to be filed pursuant to Regulation 14A.

### **ITEM 11. EXECUTIVE COMPENSATION.**

The information called for by this Item is incorporated by reference to the Company's definitive proxy statement for the 2014 Annual Meeting of Shareholders to be filed pursuant to Regulation 14A.

### **ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.**

The information called for by this Item is incorporated by reference to the Company's definitive proxy statement for the 2014 Annual Meeting of Shareholders to be filed pursuant to Regulation 14A.

### **ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.**

The information called for by this Item is incorporated by reference to the Company's definitive proxy statement for the 2014 Annual Meeting of Shareholders to be filed pursuant to Regulation 14A.

### **ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.**

This information called for by this Item is incorporated by reference to the Company's definitive proxy statement for the 2014 Annual Meeting of Shareholders to be filed pursuant to Regulation 14A.



**PART IV**

**ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

		<b>Page</b>
(a)	Documents filed as a part of this Report	
(1)	Financial Statements:	
	The following Consolidated Financial Statements of the Company are included in Part II, Item 8:	
	Report of Independent Registered Public Accounting Firm	<b>41</b>
	Balance Sheets	<b>42</b>
	Statements of Operations	<b>43</b>
	Statements of Comprehensive (Loss) Earnings	<b>44</b>
	Statements of Shareholders' Equity	<b>45</b>
	Statements of Cash Flows	<b>46</b>
	Notes to Consolidated Financial Statements (1-16)	<b>47</b>
(2)	Financial Statement Schedules:	
	The following additional information should be read in conjunction with the Consolidated Financial Statements of the Registrant described in Item 15(a)(1) above:	
	Schedule II – Valuation and Qualifying Accounts	<b>76</b>
	All other schedules have been omitted because they are not applicable or not required, or the information is included elsewhere in the financial statements or notes thereto.	
(3)	Exhibits:	
	The information required by this Item relating to Exhibits to this Report is included in the Exhibit Index beginning on page 77 hereof.	



**SIGNATURES**

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

Date: May 16, 2014

PARK ELECTROCHEMICAL CORP.

By: /s/ Brian E. Shore  
 Brian E. Shore  
 President and Chief Executive  
 Officer

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

<u>Signature</u>	<u>Title</u>	<u>Date</u>
/s/ Brian E. Shore Brian E. Shore	Chairman of the Board, President and Chief Executive Officer and Director (principal executive officer)	May 16, 2014
/s/ P. Matthew Farabaugh P. Matthew Farabaugh	Vice President and Chief Financial Officer (principal financial officer and principal accounting officer)	May 16, 2014
/s/ Dale Blanchfield Dale Blanchfield	Director	May 16, 2014
/s/ Emily J. Groehl Emily J. Groehl	Director	May 16, 2014
/s/ Peter Maurer Peter Maurer	Director	May 16, 2014

/s/ Steven T. Warshaw  
Steven T. Warshaw

Director

May 16, 2014

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**PARK ELECTROCHEMICAL CORP. AND SUBSIDIARIES****SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS**

<b>Column A</b>	<b>Column B</b>	<b>Column C</b>		<b>Column D</b>	<b>Column E</b>
<b>Description</b>	<b>Balance at Beginning of Period</b>	<b>Costs and Expenses</b>	<b>Other</b>	<b>Reductions</b>	<b>Balance at End of Period</b>
<b>DEFERRED INCOME TAX ASSET VALUATION ALLOWANCE:</b>					
52 weeks ended March 2, 2014	\$12,465,000	\$330,000	\$ -	\$(854,000 )	<b>\$11,941,000</b>
53 weeks ended March 3, 2013	\$11,661,000	\$804,000	\$ -	\$ -	<b>\$12,465,000</b>
52 weeks ended February 26, 2012	\$10,877,000	\$784,000	\$ -	\$ -	<b>\$11,661,000</b>

<b>Column A</b>	<b>Column B</b>	<b>Column C</b>	<b>Column D</b>		<b>Column E</b>
<b>Description</b>	<b>Balance at Beginning of Period</b>	<b>Charged to Cost and Expenses</b>	<b>Accounts Written Off (A)</b>	<b>Translation Adjustment</b>	<b>Balance at End of Period</b>
<b>ALLOWANCE FOR DOUBTFUL ACCOUNTS:</b>					
52 weeks ended March 2, 2014	\$423,000	\$(7,000 )	\$-	\$ -	<b>\$416,000</b>
53 weeks ended March 3, 2013	\$598,000	\$(135,000)	\$(40,000)	\$ -	<b>\$423,000</b>
52 weeks ended February 26, 2012	\$599,000	\$(1,000 )	\$-	\$ -	<b>\$598,000</b>

(A) Uncollectible amounts, net of recoveries

**EXHIBIT INDEX**

**Exhibit**

**Numbers Description**

- 3.1 Restated Certificate of Incorporation, dated March 28, 1989, filed with the Secretary of State of the State of New York on April 10, 1989, as amended by Certificate of Amendment of the Certificate of Incorporation, increasing the number of authorized shares of Common stock from 15,000,000 to 30,000,000 shares, dated July 12, 1995, filed with the Secretary of State of the State of New York on July 17, 1995, and by Certificate of Amendment of the Certificate of Incorporation, amending certain provisions relating to the rights, preferences and limitations of the shares of a series of Preferred Stock, dated August 7, 1995, filed with the Secretary of State of the State of New York on August 16, 1995 (Reference is made to Exhibit 3.01 of the Company's Annual Report on Form 10-K for the fiscal year ended March 3, 2002, Commission File No. 1-4415, which is incorporated herein by reference.)
- 3.2 Certificate of Amendment of the Certificate of Incorporation, increasing the number of authorized shares of Common Stock from 30,000,000 to 60,000,000 shares, dated October 10, 2000, filed with the Secretary of State of the State of New York on October 11, 2000 (Reference is made to Exhibit 3.02 of the Company's Annual Report on Form 10-K for the fiscal year ended March 2, 2003, Commission File No. 1-4415, which is incorporated herein by reference.)
- 3.3 Certificate of Amendment of the Certificate of Incorporation, canceling Series A Preferred Stock of the Company and authorizing a new Series B Junior Participating Preferred Stock of the Company, dated July 21, 2005, filed with the Secretary of the State of New York on July 21, 2005 (Reference is made to Exhibit 3.1 of the Company's Current Report on Form 8-K filed on July 21, 2005, Commission File No. 1-4415, which is incorporated herein by reference.)
- 3.4 By-Laws, as amended November 15, 2007 (Reference is made to Exhibit 3 of the Company's Current Report on Form 8-K filed on November 21, 2007, Commission File No. 1-4415, which is incorporated herein by reference.)
- 4.1 Rights Agreement, dated as of July 20, 2005, between the Company and Registrar and Transfer Company, as Rights Agent, relating to the Company's Preferred Stock Purchase Rights. (Reference is made to Exhibit 1 to Form 8-A filed on July 21, 2005, Commission File No. 1-4415, which is incorporated herein by reference.)
- 10.1 Lease dated December 12, 1989 between Nelco Products, Inc. and James Emmi regarding real property located at 1100 East Kimberly Avenue, Anaheim, California and letter dated December 29, 1994 from Nelco Products, Inc. to James Emmi exercising its option to extend such Lease (Reference is made to Exhibit 10.01 of the Company's Annual Report on Form 10-K for the fiscal year ended March 3, 2002, Commission File No. 1-4415, which is incorporated herein by reference.)





**Exhibit**

**Numbers**   **Description**

10.2   Lease dated December 12, 1989 between Nelco Products, Inc. and James Emmi regarding real property located at 1107 East Kimberly Avenue, Anaheim, California and letter dated December 29, 1994 from Nelco Products, Inc. to James Emmi exercising its option to extend such Lease (Reference is made to Exhibit 10.02 of the Company's Annual Report on Form 10-K for the fiscal year ended March 3, 2002, Commission File No. 1-4415, which is incorporated herein by reference.)

10.3   Lease Agreement dated August 16, 1983 and Exhibit C, First Addendum to Lease, between Nelco Products, Inc. and TCLW/Fullerton regarding real property located at 1411 E. Orangethorpe Avenue, Fullerton, California (Reference is made to Exhibit 10.03 of the Company's Annual Report on Form 10-K for the fiscal year ended March 3, 2002, Commission File No. 1-4415, which is incorporated herein by reference.)

10.3(a)   Second Addendum to Lease dated January 26, 1987 to Lease Agreement dated August 16, 1983 (see Exhibit 10.3 hereto) between Nelco Products, Inc. and TCLW/Fullerton regarding real property located at 1421 E. Orangethorpe Avenue, Fullerton, California (Reference is made to Exhibit 10.03(a) of the Company's Annual Report on Form 10-K for the fiscal year ended March 3, 2002, Commission File No. 1-4415, which is incorporated herein by reference.)

10.3(b)   Third Addendum to Lease dated January 7, 1991 and Fourth Addendum to Lease dated January 7, 1991 to Lease Agreement dated August 16, 1983 (see Exhibit 10.3 hereto) between Nelco Products, Inc. and TCLW/Fullerton regarding real property located at 1411, 1421 and 1431 E. Orangethorpe Avenue, Fullerton, California. (Reference is made to Exhibit 10.03(b) of the Company's Annual Report on Form 10-K for the fiscal year ended March 2, 1997, Commission File No. 1-4415, which is incorporated herein by reference.)

10.3(c)   Fifth Addendum to Lease dated July 5, 1995 to Lease dated August 16, 1983 (see Exhibit 10.03 hereto) between Nelco Products, Inc. and TCLW/Fullerton regarding real property located at 1411 E. Orangethorpe Avenue, Fullerton, California (Reference is made to Exhibit 10.3(c) of the Company's Annual Report on Form 10-K for the fiscal year ended March 3, 2002, Commission File No. 1-4415, which is incorporated herein by reference.)

**Exhibit**

**Description**

**Numbers**

10.4 Lease Agreement dated May 26, 1982 between Nelco Products Pte. Ltd. (lease was originally entered into by Kiln Technique (Private) Limited, which subsequently assigned this lease to Nelco Products Pte. Ltd.) and the Jurong Town Corporation regarding real property located at 4 Gul Crescent, Jurong, Singapore (Reference is made to Exhibit 10.04 of the Company's Annual Report on Form 10-K for the fiscal year ended March 3, 2002, Commission File No. 1-4415, which is incorporated herein by reference.)

10.4(a) Deed of Assignment, dated April 17, 1986 between Nelco Products Pte. Ltd., Kiln Technique (Private) Limited and Paul Ma, Richard Law, and Michael Ng, all of Peat Marwick & Co., of the Lease Agreement dated May 26, 1982 (see Exhibit 10.4 hereto) between Kiln Technique (Private) Limited and the Jurong Town Corporation regarding real property located at 4 Gul Crescent, Jurong, Singapore (Reference is made to Exhibit 10.04(a) of the Company's Annual Report on Form 10-K for the fiscal year ended March 3, 2002, Commission File No. 1-4415, which is incorporated herein by reference.)

10.5 Lease dated December 12, 1990 between Neltec, Inc. and NZ Properties, Inc. regarding real property located at 1420 W. 12th Place, Tempe, Arizona. (Reference is made to Exhibit 10.13 of the Company's Annual Report on Form 10-K for the fiscal year ended March 2, 1997, Commission File No. 1-4415, which is incorporated herein by reference.)

10.5(a) Letter dated January 8, 1996 from Neltec, Inc. to NZ Properties, Inc. exercising its option to extend the Lease dated December 12, 1990 (see Exhibit 10.7 hereto) between Neltec, Inc. and NZ Properties, Inc. regarding real property located at 1420 W. 12th Place, Tempe, Arizona. (Reference is made to Exhibit 10.13(a) of the Company's Annual Report on Form 10-K for the fiscal year ended March 2, 1997, Commission File No. 1-4415, which is incorporated herein by reference.)

10.5(b) Letter dated January 25, 2001 from Neltec, Inc. to NZ Properties, Inc. exercising its option to extend the Lease dated December 12, 1990 (see Exhibit 10.7 hereto) between Neltec, Inc. and NZ Properties, Inc. regarding real estate property located at 1420 W. 12<sup>th</sup> Place, Tempe, Arizona (Reference is made to Exhibit 10.7(b) of the Company's Annual Report on Form 10-K for the fiscal year ended February 26, 2006, Commission File No. 1-4415, which is incorporated herein by reference.)

**Exhibit**

**Description**

**Numbers**

- 10.5(c) Letter dated February 14, 2006 from Neltec, Inc. to REB Ltd. Properties, Inc. exercising its option to extend the Lease dated December 12, 1990 (see Exhibit 10.7 hereto) between Neltec, Inc. and NZ Properties, Inc. regarding real property located at 1420 W. 12<sup>th</sup> Place, Tempe, Arizona (Reference is made to Exhibit 10.7(c) of the Company's Annual Report on Form 10-K for the fiscal year ended February 26, 2006, Commission File No. 1-4415, which is incorporated herein by reference.)
- 10.6 2002 Stock Option Plan of the Company (Reference is made to Exhibit 10.01 of the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended September 1, 2002, Commission File No. 1-4415, which is incorporated herein by reference. This exhibit is a management contract or compensatory plan or arrangement.)
- 10.7 Forms of Incentive Stock Option Contract for employees, Non-Qualified Stock Option Contract for employees and Non-Qualified Stock Option Contract for directors under the 2002 Stock Option Plan of the Company (Reference is made to Exhibit 10.10 of the Company's Annual Report on Form 10-K for the fiscal year ended February 27, 2005, Commission File No.1-4415, which is incorporated herein by reference.)
- 10.8 Amended and Restated Credit Agreement by and among Park Electrochemical Corp., as Borrower, the Guarantors party thereto, and PNC Bank, National Association, as Lender, dated as of February 12, 2014
- 14.1 Code of Ethics for Chief Executive Officer and Senior Financial Officers adopted on May 6, 2004 (Reference is made to Exhibit 14.1 of the Company's Annual Report on Form 10-K for the fiscal year ended February 29, 2004, Commission File No. 1-4415, which is incorporated herein by reference.)
- 21.1 Subsidiaries of the Company
- 23.1 Consent of Independent Registered Public Accounting Firm (Grant Thornton LLP)
- 31.1 Certification of principal executive officer pursuant to Exchange Act Rule 13a-14(a) or 15d-14(a)
- 31.2 Certification of principal financial officer pursuant to Exchange Act Rule 13a-14(a) or 15d-14(a)
- 32.1 Certification of principal executive officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 32.2 Certification of principal financial officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

The following materials from the Company's Annual Report on Form 10-K for the year ended March 2, 2014, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets at March 2, 2014 and March 3, 2013, (ii) Consolidated Statements of Operations for the years ended March 2, 2014, March 3, 2013 and February 26, 2012 (iii) Consolidated Statements of Comprehensive (Loss) Earnings for the years ended March 2, 2014, March 3, 2013 and February 26, 2012, (iv) Consolidated Statements of Shareholders' Equity for the years ended March 2, 2014, March 3, 2013 and February 26, 2012, and (v) Consolidated Statements of Cash Flows for the years ended March 2, 2014, March 3, 2013 and February 26, 2012 \*+

\* Filed electronically herewith.

+ Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Section 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.