

PARK ELECTROCHEMICAL CORP
Form 10-Q
July 06, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 14(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended May 27, 2012

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

11-1734643
(I.R.S. Employer

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Incorporation or Organization) Identification
No.)

48 South Service Road, Melville, N.Y. 11747
(Address of Principal Executive Offices) (Zip Code)

(631) 465-3600
(Registrant's Telephone Number, Including Area Code)

Not Applicable

(Former Name, Former Address and Former Fiscal Year,
if Changed Since Last Report)

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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See 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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 20,796,820 as of July 3, 2012.

PARK ELECTROCHEMICAL CORP.

AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

PARK ELECTROCHEMICAL CORP.

AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Amounts in thousands)

| | May 27, 2012 (Unaudited) | February 26, 2012* |
|--|--------------------------------|--------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 128,588 | \$ 129,503 |
| Marketable securities (Note 4) | 139,856 | 139,282 |
| Accounts receivable, less allowance for doubtful accounts of \$594 and \$598, respectively | 27,511 | 23,533 |
| Inventories (Note 5) | 18,404 | 15,823 |
| Prepaid expenses and other current assets | 3,544 | 3,449 |
| Total current assets | 317,903 | 311,590 |
| Property, plant and equipment, net | 37,956 | 38,695 |
| Goodwill and other intangible assets | 7,661 | 7,661 |
| Other assets | 8,347 | 8,042 |
| Total assets | \$ 371,867 | \$ 365,988 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 9,255 | \$ 8,427 |
| Accrued liabilities (Note 7) | 9,988 | 8,816 |
| Income taxes payable | 4,701 | 4,198 |
| Total current liabilities | 23,944 | 21,441 |
| Deferred income taxes | 1,062 | 1,062 |
| Other liabilities (Note 7) | 274 | 274 |
| Total liabilities | 25,280 | 22,777 |

Commitments and contingencies (Note 12)

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| | | |
|--|------------|-----------|
| Shareholders' equity: | | |
| Common stock | 2,079 | 2,079 |
| Additional paid-in capital | 157,341 | 157,115 |
| Retained earnings | 184,794 | 181,941 |
| Treasury stock, at cost | (1) | (1) |
| Accumulated other comprehensive income | 2,374 | 2,077 |
| Total shareholders' equity | 346,587 | 343,211 |
| Total liabilities and shareholders' equity | \$ 371,867 | \$365,988 |

*The balance sheet at February 26, 2012 has been derived from the audited financial statements at that date.

See accompanying Notes to the Condensed Consolidated Financial Statements (Unaudited).

PARK ELECTROCHEMICAL CORP.

AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(Amounts in thousands, except per share amounts)

| | 13 weeks ended (Unaudited) May 27, 2012 | May 29, 2011 |
|--|--|-----------------|
| Net sales | \$ 46,046 | \$ 51,817 |
| Cost of sales | 33,070 | 35,848 |
| Gross profit | 12,976 | 15,969 |
| Selling, general and administrative expenses | 7,056 | 7,550 |
| Restructuring charges (Note 7) | 11 | - |
| Earnings from operations | 5,909 | 8,419 |
| Interest and other income | 198 | 221 |
| Earnings from operations before income taxes | 6,107 | 8,640 |
| Income tax provision | 1,174 | 1,398 |
| Net earnings | \$ 4,933 | \$ 7,242 |
| Earnings per share (Note 8) | | |
| Basic | \$ 0.24 | \$ 0.35 |
| Diluted | \$ 0.24 | \$ 0.35 |

Weighted average
number of common
and common
equivalent shares
outstanding:

| | | |
|----------------|--------|--------|
| Basic shares | 20,796 | 20,723 |
| Diluted shares | 20,849 | 20,820 |

| | | |
|---------------------------------|---------|---------|
| Dividends declared per share | \$ 0.10 | \$ 0.10 |
|---------------------------------|---------|---------|

See accompanying Notes to the Condensed Consolidated Financial Statements (Unaudited).

PARK ELECTROCHEMICAL CORP.

AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in thousands, except per share amounts)

| | 13 weeks ended (Unaudited) | |
|---|-------------------------------|--------------------|
| | May 27, 2012 | May 29, 2011 |
| Net earnings | \$4,933 | \$7,242 |
| Other Comprehensive income: | | |
| Exchange rate changes | 293 | 326 |
| Net unrealized gains on marketable securities, net of tax: | | |
| Unrealized gains on marketable securities during the period | 19 | 123 |
| Less: losses in net earnings | (15) | - |
| Net unrealized gains on marketable securities, net of tax | 4 | 123 |
| Comprehensive income | \$5,230 | \$7,691 |

See accompanying Notes to the Condensed Consolidated Financial Statements (Unaudited).

PARK ELECTROCHEMICAL CORP.

AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands)

| | 13 Weeks Ended (Unaudited) | |
|--|-------------------------------|-----------------|
| | May 27, 2012 | May 29, 2011 |
| Cash flows from operating activities: | | |
| Net earnings | \$4,933 | \$7,242 |
| Depreciation and amortization | 1,100 | 1,429 |
| Amortization of bond premium | 306 | 361 |
| Stock-based compensation | 194 | 210 |
| Change in operating assets and liabilities | (4,153) | 964 |
| Net cash provided by operating activities | 2,380 | 10,206 |
| Cash flows from investing activities: | | |
| Purchases of property, plant and equipment | (388) | (1,503) |
| Purchases of marketable securities | (73,414) | (21,993) |
| Proceeds from sales and maturities of marketable securities | 72,547 | 69,007 |
| Business acquisition | - | (1,100) |
| Net cash (used in) provided by investing activities | (1,255) | 44,411 |
| Cash flows from financing activities: | | |
| Dividends paid | (2,080) | (2,072) |
| Proceeds from exercise of stock options | 32 | 109 |
| Tax benefits from exercise of stock options | - | 2 |
| Net cash used in financing activities | (2,048) | (1,961) |
| Change in cash and cash equivalents before exchange rate changes | (923) | 52,656 |
| Effect of exchange rate changes on cash and cash equivalents | 8 | 21 |
| Change in cash and cash equivalents | (915) | 52,677 |
| Cash and cash equivalents, beginning of period | 129,503 | 112,195 |
| Cash and cash equivalents, end of period | \$128,588 | \$164,872 |
| Supplemental cash flow information: | | |
| Cash paid during the period for income taxes | \$671 | \$436 |

See accompanying Notes to the Condensed Consolidated Financial Statements (Unaudited).

PARK ELECTROCHEMICAL CORP.

AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated balance sheet as of May 27, 2012, the consolidated statements of operations and the consolidated statements of comprehensive income for the 13 weeks ended May 27, 2012 and May 29, 2011, and the condensed consolidated statements of cash flows for the 13 weeks then ended have been prepared by Park Electrochemical Corp. (the "Company"), without audit. In the opinion of management, these unaudited consolidated financial statements contain all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position at May 27, 2012 and the results of operations and cash flows for all periods presented.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. It is suggested that these consolidated financial statements be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended February 26, 2012.

2. 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 condition of the general economy and the industry as a whole. The Company writes off accounts receivable when they

become uncollectible.

3. FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to 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. The valuation under this approach does not entail a significant degree of judgment.

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 values due to their short-term nature. 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 (see Note 4) at fair value using Level 1 inputs.

The Company's non-financial assets measured at fair value on a non-recurring basis include goodwill and any assets and liabilities acquired in a business combination or any long-lived assets written down to fair value. To measure fair value for 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 and terminal value, growth rates and the amount and timing of expected future cash flows.

4. MARKETABLE SECURITIES

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

| | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
|--|------------------------------|-------------------------------|-------------------------|
| May 27, 2012: | | | |
| U.S. Treasury and other government securities | \$30 | \$20 | \$91,572 |
| U.S. corporate debt securities | 31 | 35 | 48,284 |
| Total marketable securities | \$61 | \$55 | \$139,856 |
| February 26, 2012: | | | |
| U.S. Treasury and other government securities | \$41 | \$53 | \$93,479 |
| U.S. corporate debt securities | 61 | 12 | 45,803 |
| Total marketable securities | \$102 | \$65 | \$139,282 |

The estimated fair values of such securities were determined based on observable inputs, which were quoted market prices for identical assets in active markets. The estimated fair values of such securities at May 27, 2012, by contractual maturity, are shown below:

| | |
|---------------------------------------|-----------|
| Due in one year or less | \$45,411 |
| Due after one year through five years | 94,445 |
| | \$139,856 |

5. INVENTORIES

Inventories are stated at the lower of cost (first-in, first-out method) or market. Inventories consisted of the following:

| | May 27, 2012 | February 26, 2012 |
|------------------------|-----------------|----------------------|
| Raw materials | \$10,268 | \$8,774 |
| Work-in-progress | 3,515 | 2,632 |
| Finished goods | 4,305 | 4,097 |
| Manufacturing supplies | 316 | 320 |
| | \$18,404 | \$15,823 |

6. STOCK-BASED COMPENSATION

As of May 27, 2012, the Company had a 2002 Stock Option Plan, and no other stock-based compensation plan. The 2002 Stock Option 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 such 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 from the date of grant, with an additional 25% exercisable each succeeding anniversary of the date of grant, and expire 10 years from the date of grant.

Options to purchase a total of 1,800,000 shares of common stock were authorized for grant under the 2002 Stock Option Plan. At May 27, 2012, 1,634,396 shares of common stock of the Company were reserved for issuance upon exercise of stock options under the 2002 Stock Option Plan and 765,270 options were available for future grant under the 2002 Stock Option Plan. No options of common stock were granted during the 13 week periods ended May 27, 2012 and May 29, 2011, respectively.

The Company records its stock-based compensation at fair value.

The future compensation expense to be recognized in earnings before income taxes for options outstanding at May 27, 2012 is \$1,660 and will be recognized over the remaining nine months of the current year fiscal year and over the 2014, 2015 and 2016 fiscal years.

The following is a summary of option activity for the 13 weeks ended May 27, 2012:

| | Options | Weighted Average Exercise Price | Weighted Average Remaining Contract Life in Months | Aggregated Intrinsic Value |
|----------------------------------|-----------|--|---|----------------------------------|
| Outstanding at February 26, 2012 | 915,951 | \$25.40 | 70.98 | \$4,338 |
| Granted | - | - | | |
| Exercised | (1,187) | 26.65 | | |
| Terminated or expired | (45,638) | 28.82 | | |
| Outstanding at May 27, 2012 | 869,126 | \$25.22 | 71.46 | \$550 |
| Exercisable at May 27, 2012 | 564,323 | \$25.95 | 54.06 | \$220 |

The total intrinsic values of options exercised during the 13 weeks ended May 27, 2012 and May 29, 2011 were \$5 and \$27, respectively.

7. RESTRUCTURING CHARGES

During 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 of \$928. As a result of the closing, the Company expects to record total pre-tax restructuring charges of \$2,400. During the 13 weeks ended May 27, 2012, the Company recorded \$11 of such charges, and the Company expects to record the remaining \$1,139 during the remainder of the 2013 fiscal year. The liabilities recorded at May 27, 2012 and February 26, 2012 were \$311 and \$322, respectively. The Company paid \$11 of such charges in the 13 weeks ended May 27, 2012 and expects to pay

the remaining \$1,450 during the 2013 fiscal year.

As of February 26, 2012, the Company had remaining obligations and potential liabilities in the aggregate amount of \$1,187 related to the closure of the Neltec Europe SAS printed circuit materials business unit. The Company paid \$34 of these obligations in the 13 weeks ended May 27, 2012 and expects to settle the remaining \$1,153 during the 2013 fiscal year.

During the 2004 fiscal year, the Company recorded charges related to the realignment of its North American volume printed circuit materials operations. The charges were for employment termination benefits of \$1,258, which were fully paid in fiscal year 2004, and lease and other obligations of \$7,292. All costs other than the lease obligations were settled prior to fiscal year 2007. The future lease obligations are payable through September 2013. The remaining balances on the lease obligations relating to the realignment were \$327 and \$434 as of May 27, 2012 and February 26, 2012, respectively. For the 13 weeks ended May 27, 2012, the Company applied \$107 of lease payments against such lease obligations.

8. 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 for the 13 weeks ended May 27, 2012 and May 29, 2011.

| | 13 weeks ended | |
|--|-----------------|-----------------|
| | May 27, 2012 | May 29, 2011 |
| Net Earnings | \$4,933 | \$7,242 |
| Weighted average common shares outstanding for basic EPS | 20,796 | 20,723 |
| Net effect of dilutive options | 53 | 97 |
| Weighted average shares outstanding for diluted EPS | 20,849 | 20,820 |
| Basic earnings per share | \$0.24 | \$0.35 |
| Diluted earnings per share | \$0.24 | \$0.35 |

Common stock equivalents, which were not included in the computation of diluted earnings per share because the effect would have been antidilutive as the options' exercise prices were greater than the average market price of the common stock, were 146,000 and 20,000 for the 13 weeks ended May 27, 2012 and May 29, 2011, respectively.

9. SHAREHOLDERS' EQUITY

During the 13 weeks ended May 27, 2012, the Company issued 1,187 shares pursuant to the exercise of stock options and recognized stock-based compensation expense and tax benefits from stock-based compensation of \$194 and \$0, respectively. These transactions resulted in the \$226 increase in additional paid-in capital during the period.

10. INCOME TAXES

The Company's effective tax rates for the 13 weeks ended May 27, 2012 and May 29, 2011 were 19.2% and 16.2%, respectively. The effective rates varied from the U.S. Federal statutory rate primarily due to foreign income taxed at lower rates.

11. 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 printed circuit materials products and the Company's advanced composite materials, parts and assemblies products are sold to customers in North America, Europe and Asia.

Sales are attributed to geographic region based upon the region in which the materials were delivered to the customer.

Financial information concerning the Company's operations by geographic region follows:

| | 13 weeks ended | |
|---------------------------|----------------|-------------------|
| | May 27, 2012 | May 29, 2011 |
| <u>Sales:</u> | | |
| North America | \$21,506 | \$21,840 |
| Europe | 5,239 | 5,417 |
| Asia | 19,301 | 24,560 |
| Total sales | \$46,046 | \$51,817 |
| | | |
| | May 27, 2012 | February 26, 2012 |
| <u>Long-lived assets:</u> | | |
| North America | \$34,991 | \$35,419 |
| Europe | 354 | 395 |
| Asia | 18,619 | 18,584 |

| | | |
|-------------------------|----------|----------|
| Total long-lived assets | \$53,964 | \$54,398 |
|-------------------------|----------|----------|

12. CONTINGENCIES

Litigation – The Company is subject to a small 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.

The \$1,312 charge in the 39 weeks ended November 28, 2010 related to the closure, in January of 2009, of the Company's Neltec Europe SAS digital electronic materials business unit located in Mirabeau, France included an amount relating to certain employment litigation initiated in France after the closure. See Note 7.

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 another 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 paid or reimbursed by insurance carriers, were approximately \$10 and \$7, respectively, in the 13 weeks ended May 27, 2012 and May 29, 2011, respectively.

Such recorded liabilities do not include environmental liabilities and related legal expenses for which the Company 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 has commenced litigation against such insurance carrier and a third insurance carrier. Two of the three insurance carriers have filed answers to the lawsuit, and one has asserted counter claims against the Company.

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.

Acquisition - In April 2008, the Company's wholly owned subsidiary, Park Aerospace Structures Corp., acquired substantially all the assets and business of Nova Composites, Inc., a manufacturer of composite parts and assemblies and the tooling for such parts and assemblies, located in Lynnwood, Washington, for a cash purchase price of \$4.5 million paid at the closing of the acquisition and up to an additional \$5.5 million payable over five years depending on the achievement of specified earn-out objectives. The Company has paid \$3.2 million of such additional \$5.5 million over the past three fiscal years. However, the Company has recently disputed the purchase price, including the earn-out payments.

Item 2. 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 principally for the telecommunications and internet infrastructure and high-end computing markets and advanced composite materials, parts and assemblies principally for the aerospace markets. The Company’s core capabilities are in the areas of polymer chemistry formulation and coating technology. The Company’s manufacturing facilities are located in Singapore, China, France, Connecticut, Kansas, Arizona and California. The Company also maintains R & D facilities in Arizona, Kansas and Singapore.

The Company's total net sales declined in the three-month period ended May 27, 2012 compared with last year's comparable period principally as a result of decreases in sales of the Company’s printed circuit materials products in Asia, North America and Europe, which were only partially offset by an increase in net sales of the Company’s aerospace composite materials, parts and assemblies products. Nevertheless, the Company’s total net sales in the three-month period ended May 27, 2012 were higher than its total net sales in the immediately preceding fiscal quarter ended February 26, 2012.

The Company’s earnings from operations and net earnings were lower in the 2013 fiscal year first quarter than in the 2012 fiscal year first quarter as a result of the decline in the Company’s total net sales in the 2013 fiscal year first quarter compared to the 2012 fiscal year first quarter partially offset by the benefits from the higher percentage of sales of higher margin, high performance printed circuit materials products in such quarter than in the 2012 fiscal year first quarter and by the lower depreciation expense and lower selling, general and administrative expenses in the 2013 fiscal year first quarter than in the 2012 fiscal year first quarter.

The decline in sales of printed circuit materials products resulted in lower gross profits and lower earnings from operations in the 2013 fiscal year first quarter compared to the 2012 fiscal year first quarter. The Company’s gross profit margin, measured as a percentage of sales, declined to 28.2% in the 2013 fiscal year first quarter from 30.8% in the 2012 fiscal year first quarter. The Company’s operating and earnings performances in both the 2013 and 2012 fiscal year first quarters were adversely affected by additional, and in some instances duplicative, costs 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 Park Aerospace Technologies Corp. (“PATC”) business unit in Newton, Kansas, and by losses incurred at such business unit.

The weakness that prevailed in the markets in North America, Asia and Europe for the Company's printed circuit materials products during the 2012 fiscal year continued in the 2013 fiscal year first quarter. Sales of the Company's aerospace composite materials, parts and assemblies products showed some small improvement during the 2012 fiscal year and in the 2013 fiscal year first quarter.

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 the 2013 fiscal year second quarter. 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 products in the 2013 fiscal year second quarter or beyond.

In the 2012 fiscal year third quarter, the Company completed a major expansion of its PATC aerospace composite materials development and manufacturing facility located at the Newton, Kansas Airport in order to manufacture aerospace composite parts and assemblies. The expansion includes approximately 37,000 square feet of manufacturing and storage space, and the Company previously spent approximately \$5 million on the facility expansion and equipment.

While the Company continues to invest in its business, it also has made adjustments to certain of its operations, which resulted in workforce reductions and plant closures.

In the 2012 fiscal year fourth quarter, the Company announced that its Park Advanced Composite Materials Inc. ("PACM") facility, located in Waterbury, Connecticut, would be closing its operations after the completion of the transfer of PACM's aerospace composite materials manufacturing activities to the Company's PATC facility in Kansas. The Company now expects such transfer to be completed in the third quarter of the 2013 fiscal year.

Such transfer of aerospace composite materials manufacturing activities from the Company's PACM facility to its PATC facility, together with the transfer of aerospace composite parts and assemblies manufacturing activities from the Company's Park Aerospace Structures Corp. ("PASC") facility in Lynnwood, Washington to its PATC facility, which was completed in the 2012 fiscal year fourth quarter, will complete 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 its PATC facility. The completion of the consolidation of the Company's aerospace composite materials, parts and assemblies manufacturing activities will eliminate the additional, and in some cases duplicative, costs which the Company has incurred in connection with the start-up of PATC and the transfer of such manufacturing activities from PACM and PASC to PATC.

In the 2012 fiscal year fourth quarter, the Company reported that, as the result of this closure of PACM, it expected to record total pre-tax restructuring charges of approximately \$3 million and that it expected to record approximately half of such charges in the 2012 fiscal year fourth quarter and to record the balance of such charges during the 2013 fiscal year; and the Company stated that after the closure is completed, the PACM business operations will have no further impact on the consolidated financial condition or results of operations of the Company. The Company recorded a pre-tax charge of \$1.3 million in the 2012 fiscal year fourth quarter in connection with such closure and now expects to record a pre-tax charge of \$1.1 million during the 2013 fiscal year and no further charge in connection

with such closure.

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Three Months Ended May 27, 2012 Compared with Three Months Ended May 29, 2011:

The Company's total net sales and its net sales of its printed circuit materials products decreased during the three-month period ended May 27, 2012 compared to the three-month period ended May 29, 2011. The Company's sales of aerospace composite materials, parts and assemblies products increased in the three-month period ended May 27, 2012 compared to last year's comparable period. Net sales of the Company's aerospace composite materials, parts and assemblies products were \$7.6 million, or 16% of the Company's total net sales worldwide, in the 2013 fiscal year first quarter compared to \$5.7 million, or 11%, in the 2012 fiscal year first quarter and \$6.5 million, or 11%, in the 2011 fiscal year first quarter.

The Company's gross profits and its gross profit margins, and, consequently, its earnings from operations and net earnings were lower in the three months ended May 27, 2012 compared to the three months ended May 29, 2011 as a result of the decreased sales and the partially fixed nature of the Company's overhead costs. Such factors were only partially offset by the benefits from a higher percentage of sales of higher margin, high performance printed circuit materials products in the three-month period ended May 27, 2012 than in the 2012 fiscal year comparable period and by the lower depreciation expense and lower selling, general and administrative expenses in the 2013 fiscal year first quarter than in the 2012 fiscal year first quarter.

The Company's earnings from operations and net earnings in both the 2013 and 2012 fiscal year first quarters were reduced by additional, and in some instances duplicative, costs 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 in Newton, Kansas, and by losses incurred at such business unit.

Results of Operations

The Company's total net sales worldwide for the three-month period ended May 27, 2012 decreased 11% to \$46.0 million from \$51.8 million for last fiscal year's comparable period. The decrease in net sales was principally the result of lower sales of printed circuit materials products in Asia, North America and Europe only partially offset by higher sales of aerospace composite materials, parts and assemblies by the Company's operations in North America and Europe.

The Company's total net sales of its aerospace composite materials, parts and assemblies products were \$7.6 million in the three months ended May 27, 2012, or 16% of the Company's total net sales worldwide in such period, compared to \$5.7 million in the three months ended May 29, 2011, or 11% of the Company's total net sales worldwide in such period.

The Company's foreign sales were \$24.5 million, or 53% of the Company's total net sales worldwide, during the three-month period ended May 27, 2012 compared with \$30.0 million of sales, or 58% of total net sales worldwide, during last fiscal year's comparable period. The Company's foreign sales during the 2013 fiscal year first quarter decreased by 18% from the 2012 fiscal year comparable period primarily as the result of lower sales in Asia.

For the three-month period ended May 27, 2012, the Company's sales in North America, Asia and Europe were 47%, 42% and 11%, respectively, of the Company's total net sales worldwide compared to 42%, 47% and 11%, respectively, for the three-month period ended May 29, 2011. The Company's sales in Asia decreased 21%, its sales in North America decreased 2% and its sales in Europe decreased 3% in the three-month period ended May 27, 2012 compared to the three-month period ended May 29, 2011.

The Company's gross profit in the three months ended May 27, 2012 was lower than the gross profit in the prior year's comparable period and the gross profit as a percentage of sales in the three months ended May 27, 2012 declined to 28.2% from 30.8% in the three months ended May 29, 2011 principally due to lower total net sales in the three months ended May 27, 2012 than in the three months ended May 29, 2011, although the Company's gross profit in the three months ended May 27, 2012 benefited from the higher percentage of sales of higher margin, high performance printed circuit materials products in the three months ended May 27, 2012 than in the three months ended May 29, 2011 and from lower depreciation expense.

During the three-month period ended May 27, 2012, the Company's total net sales worldwide of high performance printed circuit materials were 81% of the Company's total net sales worldwide of printed circuit materials, compared to 78% for last fiscal year's comparable period.

The Company's high performance materials (non-FR4 printed circuit materials) consist of 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.

The Company's cost of sales decreased by 8% in the 2013 fiscal year first quarter from the 2012 fiscal year first quarter as a result of lower sales and production volumes and lower depreciation expense in the 2013 fiscal year first quarter than in the 2012 fiscal year first quarter, but the Company's cost of sales as a percentage of net sales increased to 71.8% in the 2013 fiscal year first quarter from 69.2% in the 2012 fiscal year first quarter resulting in a gross profit margin decrease from 30.8% to 28.2%, which was partially offset by the higher percentage of sales of higher margin, high performance printed circuit materials products in the 2013 fiscal year first quarter than in the 2012 fiscal year first quarter.

Selling, general and administrative expenses declined by \$0.5 million, or by 7%, during the three months ended May 27, 2012 compared with last fiscal year's comparable period, but these expenses, measured as a percentage of sales, were 15.3% during the three months ended May 27, 2012 compared with 14.6% during last fiscal year's comparable period. The decline in such expenses was primarily the result of lower selling expenses commensurate with lower sales. Selling, general and administrative expenses in the 2013 fiscal year first quarter were inflated by increases in legal fees and expenses. Selling, general and administrative expenses included \$194,000 for the three months ended

May 27, 2012 for stock option expense compared to \$210,000 for the three months ended May 29, 2011.

For the reasons set forth above, the Company's earnings from operations were \$5.9 million for the three months ended May 27, 2012, compared to \$8.4 million for the three months ended May 29, 2011.

Interest and other income was \$198,000 for the three-month period ended May 27, 2012 compared to \$221,000 for last fiscal year's comparable period. During the 2013 and 2012 fiscal year periods, the Company earned interest income principally from its investments, which were primarily in short-term instruments and money market funds.

The Company's effective income tax rate for the three-month period ended May 27, 2012 was 19.2%, compared to 16.2% for last fiscal year's comparable period. The higher tax provision for the 2013 fiscal year first quarter was attributable principally to higher portions of taxable income in jurisdictions with higher effective income tax rates and the expiration, on June 30, 2011, of the Nelco Products Pte. Ltd.'s qualification and favorable tax rates under the development and expansion tax incentive in Singapore.

The Company's net earnings for the three months ended May 27, 2012 were \$4.9 million, compared to net earnings of \$7.2 million for the three months ended May 29, 2011.

Basic and diluted earnings per share were \$0.24 for the three-month period ended May 27, 2012 compared to \$0.35 for the three-month period ended May 29, 2011.

Liquidity and Capital Resources:

At May 27, 2012, the Company's cash and marketable securities were \$268.4 million compared to \$268.8 million at February 26, 2012, the end of the Company's 2012 fiscal year. Of that \$268.4 million, approximately \$201.6 million was owned by foreign subsidiaries. It is the Company's practice and intent to reinvest such cash owned by its foreign subsidiaries in the operations of its foreign subsidiaries or in other foreign activities.

The Company's working capital (which includes cash and marketable securities) was \$294.0 million at May 27, 2012 compared to \$290.1 million at February 26, 2012. The increase in working capital at May 27, 2012 compared to February 26, 2012 was due principally to increases in inventories and accounts receivable slightly offset by increases in accounts payable, accrued liabilities and income taxes payable.

Accounts receivable at May 27, 2012 were 17% higher than at February 26, 2012 principally due to higher sales levels and an increase in the number of days of sales in accounts receivable in the 2013 fiscal year first quarter compared to the 2012 fiscal year fourth quarter. The 16% increase in inventories at May 27, 2012 compared to February 26, 2012 was primarily due to increases in raw materials and work-in-progress resulting from manufacturing aerospace composite materials at both the PATC facility and the PACM facility and higher raw materials at the Company's printed circuit materials manufacturing operations in the United States. At May 27, 2012, accounts payable were 10% higher than at February 26, 2012 principally as a result of higher purchases of raw materials during the period ended May 27, 2012 than during the period ended February 26, 2012, and accrued liabilities were 13% higher than at February 26, 2012 principally as a result of accruals for employee benefits for the 2012 fiscal year, which had not yet been paid as of May 27, 2012, in addition to accruals for employee benefits for the current

fiscal year. Income taxes payable were 12% higher at May 27, 2012 than at February 26, 2012 primarily as a result of recorded tax on income in excess of tax payments.

The Company's current ratio (the ratio of current assets to current liabilities) was 13.3 to 1 at May 27, 2012 compared to 14.5 to 1 at February 26, 2012.

During the three months ended May 27, 2012, net earnings from the Company's operations, before depreciation and amortization and stock based compensation, of \$6.5 million reduced by a net increase in working capital items, resulted in \$2.4 million of cash provided by operating activities. During the same three-month period, the Company expended \$388,000 for the purchase of property, plant and equipment, primarily for the purchase of equipment for the Company's aerospace development and manufacturing facility in Newton, Kansas and for the Company's printed circuit materials manufacturing facility in Singapore, compared with \$1.5 million for the three-month period ended May 29, 2011, and paid \$2.1 million in dividends on its common stock in each of such three-month periods. Net expenditures for property, plant and equipment were \$4.0 million in the 2012 fiscal year and \$2.8 million in the 2011 fiscal year.

During the 2012 fiscal year, the Company expended approximately \$1.5 million for equipment for its expanded aerospace composite materials, parts and assemblies development and manufacturing facility in Newton, Kansas, and during the 2013 fiscal year first quarter, the Company expended approximately \$100,000 for equipment for such expanded facility.

At May 27, 2012 and at February 26, 2012, the Company had no long-term debt.

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.

The Company's contractual obligations and other commercial commitments to make future payments under contracts, such as lease agreements, consist only of operating lease commitments and commitments to purchase equipment for the expansion of the Company's aerospace development and manufacturing facility in Newton, Kansas. The Company

has no 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 \$1.3 million to secure the Company's obligations under its workers' compensation insurance program.

As of May 27, 2012, there were no material changes outside the ordinary course of the Company's business in the Company's contractual obligations disclosed in Item 7 of Part II of its Form 10-K Annual Report for the fiscal year ended February 26, 2012.

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.

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 of America. 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 on-going basis, the Company evaluates its estimates, including those related to sales allowances, allowances for doubtful accounts, inventories, valuation of long-lived assets, income taxes, 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 manufactured printed circuit materials products and aerospace composite materials, parts and assemblies.

Sales Allowances

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 aerospace 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.

Allowances for Doubtful Accounts

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 maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. 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 condition of the general economy and the industry as a whole. 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. The carrying value of the Company's net deferred tax assets assumes that the Company will be able to generate sufficient future taxable income in certain tax jurisdictions, based on estimates and assumptions. 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 statement 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 quarterly 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.

Restructurings

In the 2012 fiscal year fourth quarter, the Company announced that its Park Advanced Composite Materials, Inc. facility, located in Waterbury, Connecticut, would be closing its operations after the completion of the transfer of its aerospace composite materials manufacturing activities to the Company's Park Aerospace Technologies Corp. facility located at the Newton, Kansas Airport and that, as the result of the closure, it expected to record total pre-tax restructuring charges of approximately \$3 million and that it expected to record approximately half of such charges in the 2012 fiscal year fourth quarter and to record the balance of such charges during the 2013 fiscal year. The Company recorded a pre-tax charge of \$1.3 million in the 2012 fiscal year fourth quarter in connection with such closure and now expects to record a pre-tax charge of \$1.1 million during the 2013 fiscal year and no further charge in connection with such closure. The Company also recorded a pre-tax charge of \$1.3 million in the 2011 fiscal year third quarter related to the closure, in January of 2009, of the operations of Neltec Europe SAS, the Company's printed circuit materials business unit located in Mirebeau, France. The Company previously recorded a pre-tax charge of \$4.1 million in connection with such closure in the fourth quarter of its 2009 fiscal year. The additional charge in the 2011 fiscal year third quarter was based on updated estimates of the total costs to complete the closure of the Neltec Europe SAS business unit as a result of additional information regarding such costs, including recent developments relating to certain employment litigation initiated in France after the closure and other expenses in excess of the original estimates. The closure of Neltec Europe SAS in January of 2009 was a major component of restructurings of the operations of the Company's Neltec Europe SAS and Neltec SA business units in the fourth quarter of the 2009 fiscal year. Such restructurings and workforce reductions are described in Note 7 of the Notes to Condensed Consolidated Financial Statements in Item 1 of Part I of this Report and elsewhere in this Discussion.

Contingencies

The Company is subject to a small 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.

In April 2008, the Company's wholly owned subsidiary, Park Aerospace Structures Corp., acquired substantially all the assets and business of Nova Composites, Inc., a manufacturer of composite parts and assemblies and the tooling for such parts and assemblies, located in Lynnwood, Washington, for a cash purchase price of \$4.5 million paid at the closing of the acquisition and up to an additional \$5.5 million payable over five years depending on the achievement of specified earn-out objectives. The Company has paid \$3.2 million of such additional \$5.5 million over the past three fiscal years. However, the Company has recently disputed the purchase price, including the earn-out payments.

The \$1.3 million charge in the three-month period ended November 28, 2010 relating to the closure, in January of 2009, of the Company's Neltec Europe SAS printed circuit materials business unit located in Mirebeau, France included an amount relating to certain employment litigation initiated in France after the closure. See Note 7 of the Notes to the Condensed Consolidated Financial Statements in Item 1 of Part I of this Report for additional information relating to the aforementioned charge.

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.

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.

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, forecast, estimated or budgeted by the Company in forward-looking statements. Such factors include, but are not limited to, general conditions in the electronics and aerospace industries, the Company's competitive

position, the status of the Company's relationships with its customers, economic conditions in international markets, the cost and availability of raw materials, transportation and utilities, and the various factors set forth in Item 1A "Risk Factors" and under the caption "Factors That May Affect Future Results" after Item 7 of Park's Annual Report on Form 10-K for the fiscal year ended February 26, 2012.

Item 3. Quantitative and Qualitative Disclosure About Market Risk.

The Company's market risk exposure at May 27, 2012 is consistent with, and not greater than, the types of market risk and amount of exposures presented in the Annual Report on Form 10-K for the fiscal year ended February 26, 2012.

Item 4. 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 May 27, 2012, the end of the quarterly fiscal period covered by this quarterly report. Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures are 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 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) 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 fiscal quarter to which this report relates that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

None.

Item 1A. Risk Factors.

There have been no material changes from the risk factors as previously disclosed in the Company's Form 10-K Annual Report for the fiscal year ended February 26, 2012.

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

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 2013 fiscal year first quarter ended May 27, 2012.

| Period | Total Number of Shares (or Units) | Average Price Paid per Share (or Unit) | Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs | Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs |
|--------|---|---|--|---|
| | | | | |

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| | | | | | |
|------------------------|---|-----|---|-----------|-----|
| February 27 - March 27 | 0 | \$- | 0 | | |
| March 28 - April 27 | 0 | - | 0 | | |
| April 28 - May 27 | 0 | - | 0 | | |
| Total | 0 | \$- | 0 | 2,000,000 | (a) |

Aggregate number of shares available to be purchased by the Company pursuant to a previous share purchase (a) authorization announced on October 20, 2004. 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 3. Defaults Upon Senior Securities.

None.

Item 4. Reserved.

None.

Item 5. Other Information.

None.

Item 6. Exhibits.

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.

101 The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended May 27, 2012, formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets at May 27, 2012 (unaudited) and February 26, 2012, (ii) Consolidated Statements of Operations for the 13 weeks ended May 27, 2012 and May 29, 2011 (unaudited), (iii) Consolidated Statements of Comprehensive Income for the 13 weeks ended May 27, 2012 and May 29, 2011 (unaudited), and (iv) Condensed Consolidated Statements of Cash Flows for the 13 weeks ended May 27, 2012 and May 29, 2011 (unaudited) +

+ 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.

SIGNATURES

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

Park Electrochemical
Corp.
(Registrant)

Date: July 6, 2012 /s/ Brian E. Shore
Brian E. Shore
President and Chief
Executive Officer
(principal executive
officer)

Date: July 6, 2012 /s/ P. Matthew Farabaugh
P. Matthew Farabaugh
Vice President and Chief
Financial Officer
(principal financial
officer)

EXHIBIT INDEX

| Exhibit No. | Name | Page |
|----------------|---|------|
| 31.1 | Certification of principal executive officer pursuant to Exchange Act Rule 13a-14(a) or 15d-14(a) | 30 |
| 31.2 | Certification of principal financial officer pursuant to Exchange Act Rule 13a-14(a) or 15d-14(a) | 32 |
| 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 | 34 |
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* 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.