

PARK ELECTROCHEMICAL CORP  
Form 10-K  
May 13, 2016

---

---

**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 February 28, 2016**

**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 11747**

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

Identification No.)

Edgar Filing: PARK ELECTROCHEMICAL CORP - Form 10-K

(Address of Principal Executive Offices)

(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</u> <u>Registered</u>
Common Stock, par value \$.10 per share	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.

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	\$346,849,829	August 28, 2015

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	20,234,671	May 6, 2016

#### **DOCUMENTS INCORPORATED BY REFERENCE**

Proxy Statement for Annual Meeting of Shareholders to be held July 19, 2016 incorporated by reference into Part III of this Report.



**TABLE OF CONTENTS**

	<b><u>Page</u></b>
<b>PART I</b>	
<b>Item 1.</b> Business	<b>4</b>
<b>Item 1A.</b> Risk Factors	<b>15</b>
<b>Item 1B.</b> Unresolved Staff Comments	<b>18</b>
<b>Item 2.</b> Properties	<b>19</b>
<b>Item 3.</b> Legal Proceedings	<b>19</b>
<b>Item 4.</b> Mine Safety Disclosures	<b>19</b>
Executive Officers of the Registrant	<b>20</b>
<b>PART II</b>	
<b>Item 5.</b> Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	<b>22</b>
<b>Item 6.</b> Selected Financial Data	<b>24</b>
<b>Item 7.</b> Management's Discussion and Analysis of Financial Condition and Results of Operations	<b>25</b>
Factors That May Affect Future Results	<b>39</b>
<b>Item 7A.</b> Quantitative and Qualitative Disclosures About Market Risk	<b>40</b>
<b>Item 8.</b> Financial Statements and Supplementary Data	<b>41</b>
<b>Item 9.</b> Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	<b>70</b>
<b>Item 9A.</b> Controls and Procedures	<b>70</b>
<b>Item 9B.</b> Other Information	<b>73</b>
<b>PART III</b>	
<b>Item 10.</b> Directors, Executive Officers and Corporate Governance	<b>73</b>
<b>Item 11.</b> Executive Compensation	<b>73</b>
<b>Item 12.</b> Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	<b>73</b>
<b>Item 13.</b> Certain Relationships and Related Transactions, and Director Independence	<b>73</b>
<b>Item 14.</b> Principal Accountant Fees and Services	<b>73</b>
<b>PART IV</b>	
<b>Item 15.</b> Exhibits and Financial Statement Schedule	<b>74</b>
<b>SIGNATURES</b>	<b>75</b>
<b>FINANCIAL STATEMENT SCHEDULE</b>	
<b>Schedule II – Valuation and Qualifying Accounts</b>	<b>76</b>

**EXHIBIT INDEX**

77

3

---

## **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 and low-volume tooling 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 73%, 78% and 82% of the Company’s total net sales worldwide in the 2016, 2015 and 2014 fiscal years, respectively, and sales of Park’s advanced composite materials, parts and assemblies products were 27%, 22% and 18% of the Company’s total net sales worldwide in the 2016, 2015 and 2014 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 13 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®, SI® and TIN CITY AIRCRAFT WORKS® are registered trademarks of Park Electrochemical Corp., and ALPHASTRUT™, ELECTROGLIDE™, ELECTROVUE™, EP™, PEELCOTE™, POWERBOND™ and SIGMASTRUT™ 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, telecommunications switches, 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, power amplifiers and other components 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, standard and enhanced 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 was further emphasized by the advent of lead-free assemblies.

The uniformity, purity, consistency, performance predictability, dimensional stability and production tolerances of printed circuit materials have become successively more critical due to the very high density circuit demands of miniaturized high performance interconnect systems. 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 at least 79 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 who are interested in maximizing the full value of the 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 OEMs in the computer, networking, telecommunications, wireless communications, aerospace, military, instrumentation and automotive 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. The Company augments its sales personnel with an OEM marketing team and process and product technology specialists.

During the Company's 2016 fiscal year, approximately 13.8% of the Company's total worldwide sales were to TTM Technologies, Inc., a leading manufacturer of printed circuit boards. During the Company's 2015 fiscal year, the Company did not have sales to any customer that equaled or exceeded 10% of the Company's total worldwide sales. During the Company's 2014 fiscal year, approximately 15.8% of the Company's total worldwide sales were to TTM Technologies, Inc. During the Company's 2016 and 2014 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 independent sales representatives 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, sheared 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 2014 fiscal year, the Company modified certain of the equipment in its printed circuit materials facility in Singapore to support the production of PTFE laminates and other laminates requiring elevated process temperatures. 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 2016, 2015 and 2014 fiscal years, the Company experienced significant volatility in the cost of copper foil, one of the Company's primary raw materials. The Company generally passes changes in the costs of its raw materials 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 and low-volume tooling 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 and by the Company's Nelco Products Pte. Ltd. business unit in Singapore. The Company's advanced composite parts and assemblies and low-volume tooling are also developed and manufactured by the Company's PATC business unit.

PATC offers 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. 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”. Advanced composite materials can be broadly categorized as either thermosets or thermoplastics. 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 cannot 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 Company works with aerospace 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. The Company has developed proprietary resin formulations to suit the needs of the markets in which it participates by analyzing the needs of the markets and working with its customers. 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 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 carbon fiber, E-glass (fiberglass), S2 glass, quartz, carbonized rayon, 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 prepregs, such as Raycarb C2, a carbonized rayon fabric produced by Airbus Safran Launchers SAS (formerly Herakles, formerly Snecma Propulsion Solide) and used mainly in the rocket motor industry, and Enka AS, a proprietary commercial rayon fabric produced by Highland Industries, Inc. and used in the aerospace industry as the base white material for carbon phenolic applications.

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. The Company also provides low-volume tooling in connection with its manufacture and sale of composite parts and assemblies.

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

The Company's advanced composite materials, parts and assemblies customers include manufacturers of turbofan engines, aircraft primary and secondary structures and radomes, including military aircraft, unmanned aerial vehicles ("UAVs"), business jets and turboprops, large and regional transport aircraft and helicopters, space vehicles, rocket motors and specialty industrial products. The Company's advanced composite materials are marketed primarily by sales personnel and, to a lesser extent, by independent distributors and independent sales representatives, and the Company's advanced composite parts and assemblies are marketed primarily by sales personnel.

While no single advanced composite materials, parts and assemblies customer accounted for 10% or more of the Company's total sales during any of the last three 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, special mission, UAVs 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, resin film casting and reinforcement impregnation via hot-melt process or a solution process.

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 tested 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 primarily on the basis of responsiveness, product performance and consistency, product qualification, FAA data base design allowables and innovative new product development.

#### 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 May 1, 2016, the unfilled portion of all purchase orders received by the Company and believed by it to be firm was approximately \$17,901,725, compared to \$28,147,000 at April 26, 2015. A major portion of the Company's backlog consists of composite materials.

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 February 28, 2016.

#### 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 February 28, 2016, the Company had 451 employees. Of these employees, 392 were engaged in the Company's manufacturing operations, and 59 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.

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 12 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 if the Company were unable 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 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 2014, 2015 and 2016 fiscal years, the Company experienced significant volatility in the cost of copper foil, one of the Company's primary raw materials. The Company generally passes changes in the costs of its raw materials 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 February 28, 2016, March 1, 2015 and

March 2, 2014, the Company's ten largest customers accounted for approximately 51%, 53% and 59%, 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 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.

***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.

18

---

**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 Park Advanced Composite Materials, Inc. ("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.

**ITEM 3. LEGAL PROCEEDINGS.**

None.

**ITEM 4. MINE SAFETY DISCLOSURES.**

None.

19

---

**Executive Officers of the Registrant.**

<u>Name</u>	<u>Title</u>	<u>Age</u>
Brian E. Shore	Chief Executive Officer and Chairman of the Board of Directors	64
Christopher T. Mastrogiacomo	President and Chief Operating Officer	58
Stephen E. Gilhuley	Executive Vice President – Administration and Secretary	71
P. Matthew Farabaugh	Senior Vice President and Chief Financial Officer	55
Constantine Petropoulos	Vice President and General Counsel	38
Mark A. Esquivel	Vice President – Aerospace	43

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. He was President until July 28, 2014, when he was succeeded by Mr. Mastrogiacomo. Mr. Shore also served as General Counsel of the Company from April 1988 until April 1994.

Mr. Mastrogiacomo was elected President and Chief Operating Officer on July 28, 2014 after having served as Executive Vice President and Chief Operating Officer since June 1, 2011 and 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. 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 2011, when he was succeeded by Stephen M. Banker, who was Vice President and General Counsel from October 2011 to May 2014 and who was succeeded by Mr. Petropoulos.

Mr. Farabaugh was elected Senior Vice President and Chief Financial Officer on March 11, 2016. He had been Vice President and Chief Financial Officer of Park Electrochemical Corp. since April 2012. He had been Vice President and Controller of the Company since October 2007. Prior to joining the Company, 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. Petropoulos was elected Vice President and General Counsel on September 4, 2014. Prior to joining the Company, Mr. Petropoulos had been Managing Attorney at Scientific Games Corporation in New York City since November 2011. From September 2007 to October 2011, he was Senior Corporate Counsel, Finance & Strategic Development at Coca-Cola HBC SA in Attica, Greece; and from October 2002 to September 2007 he was an attorney at Latham & Watkins LLP in New York City.

Mr. Esquivel was appointed Vice President – Aerospace of the Company in April 2015. Mr. Esquivel was also appointed as President of the Company’s PATC business unit in Newton, Kansas. Mr. Esquivel has been employed by the Company and its subsidiaries in various positions since 1994. He was Vice President of Aerospace Composite Parts of PATC from March 2012 to April 2015 and President of PATC from June 2010 to March 2012. Prior to June 2010, Mr. Esquivel was Vice President and General Manager of Neltec, Inc., the Company’s high-technology circuitry materials business unit located in Tempe, Arizona, and responsible for the day-to-day operations of Neltec, Inc., since his appointment to that position in September 2008. He served as Manufacturing Manager of Neltec, Inc. from August 2004 to September 2008 and as Materials Manager from February 2001 to August 2004, and he held various positions since he originally joined Neltec, Inc. in 1994.

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 MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER  
5. 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 February 28, 2016</b>	<b>Stock Price</b>		<b>Dividends Declared</b>
	<b>High</b>	<b>Low</b>	
First Quarter	\$23.63	\$20.30	\$ 0.10
Second Quarter	22.58	16.60	0.10
Third Quarter	18.58	16.08	0.10
Fourth Quarter	17.74	13.65	0.10

<b>For the Fiscal Year Ended March 1, 2015</b>	<b>Stock Price</b>		<b>Dividends Declared</b>	
	<b>High</b>	<b>Low</b>		
First Quarter	\$ 30.60	\$ 24.03	\$ 0.10	
Second Quarter	32.46	25.59	0.10	
Third Quarter	28.34	19.31	0.10	
Fourth Quarter	25.87	20.50	1.60	<b>(a)</b>

(a) During the 2015 fiscal year fourth quarter, the Company declared its regular quarterly cash dividend of \$0.10 per share in December 2014, payable February 2, 2015 to shareholders of record on January 5, 2015, and declared a special cash dividend of \$1.50 per share in January 2015, payable February 24, 2015 to shareholders of record on February 10, 2015.

As of May 6, 2016, there were 598 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 2016 fiscal year fourth quarter ended February 28, 2016.

Period		Total Number of Shares (or Units) Purchased	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
November 30	-	December 28	0	\$ 0	0
December 29	-	January 28	0	\$ 0	0
January 28	-	February 28	18,800	\$ 13.97	18,800
<b>Total</b>		<b>18,800</b>	<b>\$ 13.97</b>	<b>18,800</b>	<b>531,412 (a)</b>

Aggregate number of shares available to be purchased by the Company pursuant to a share purchase authorization (a) announced on January 8, 2015. 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.

In addition to the maximum number of shares shown in the table above that may yet be purchased under the share purchase authorization announced by the Company on January 8, 2015, the Company announced on March 10, 2016 that its Board of Directors has authorized the Company's purchase, on the open market or in privately negotiated transactions, of up to 1,000,000 additional shares of its common stock, in addition to the unused prior authorization to purchase shares of the Company's common stock announced on January 8, 2015. As a result, the Company is authorized to purchase up to a total of 1,531,412 shares of its common stock, representing approximately 7.6% of the Company's 20,234,671 total outstanding shares as of the close of business on May 6, 2016.

As previously announced by the Company, shares purchased by the Company will be retained as treasury stock and will be available for use under the Company's stock option plan and for other corporate purposes.



**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 February 28, 2016 and is as of the end of such periods, it is derived from the Consolidated Financial Statements for the five fiscal years ended February 28, 2016 and as of such dates audited by the Company's independent registered public accounting firms. The Consolidated Financial Statements as of February 28, 2016 and March 1, 2015, and for each of the three years ended February 28, 2016, March 1, 2015 and March 2, 2014, together with the report of the independent registered public accounting firm for the years ended February 28, 2016 and March 1, 2015 and the report of the independent registered public accounting firm for the year 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>February 28, 2016</b>	<b>March 1, 2015</b>	<b>March 2, 2014</b>	<b>March 3, 2013</b>	<b>February 26, 2012</b>
--	----------------------------------	--------------------------	--------------------------	--------------------------	----------------------------------

**STATEMENT OF EARNINGS INFORMATION**

Net sales	\$ 145,855	\$ 162,086	\$ 165,764	\$ 176,416	\$ 193,254
Cost of sales	103,103	113,133	117,664	125,866	138,512
<b>Gross profit</b>	<b>42,752</b>	<b>48,953</b>	<b>48,100</b>	<b>50,550</b>	<b>54,742</b>
Selling, general and administrative expenses	21,211	24,373	25,168	26,595	28,247
Restructuring charges	535	1,179	546	3,703	1,250
<b>Earnings from operations</b>	<b>21,006</b>	<b>23,401</b>	<b>22,386</b>	<b>20,252</b>	<b>25,245</b>
Interest expense	1,657	1,438	764	14	-
Interest and other income	1,149	827	460	647	808
Litigation and insurance settlements	-	-	-	-	1,598
<b>Earnings before income taxes</b>	<b>20,498</b>	<b>22,790</b>	<b>22,082</b>	<b>20,885</b>	<b>27,651</b>
Income tax provision	2,469	2,747	64,411	3,924	4,209
<b>Net earnings (loss)</b>	<b>\$ 18,029</b>	<b>\$ 20,043</b>	<b>\$ (42,329 )</b>	<b>\$ 16,961</b>	<b>\$ 23,442</b>
<b>Earnings per share:</b>					
Basic earnings (loss) per share	\$ 0.89	\$ 0.96	\$ (2.03 )	\$ 0.82	\$ 1.13
Diluted earnings (loss) per share	\$ 0.89	\$ 0.96	\$ (2.03 )	\$ 0.81	\$ 1.13
Cash dividends per common share	\$ 0.40	\$ 1.90	\$ 2.90	\$ 2.90	\$ 0.40

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

Basic	20,347	20,912	20,849	20,801	20,746
Diluted	20,352	20,986	20,849	20,823	20,792

**BALANCE SHEET INFORMATION**

Working capital	\$255,507	\$283,535	\$286,997	\$303,996	\$290,149
Total assets	314,777	350,682	377,093	369,658	365,988
Long-term debt	72,000	84,000	94,000	52,000	-
Shareholders' equity	180,867	181,599	200,543	299,922	343,211

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 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 and low-volume tooling 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 2016, 2015 and 2014 fiscal years ended on February 28, 2016, March 1, 2015 and March 2, 2014, respectively. The 2016, 2015 and 2014 fiscal years consisted of 52 weeks. **Unless otherwise indicated in this Discussion and Analysis, all references 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.**

2016 Financial Overview

The Company's total net sales worldwide in 2016 were 10% lower than in 2015 primarily due to lower sales of the Company's printed circuit materials products in Asia and North America, partially offset by higher sales of the Company's aerospace composite materials, parts and assemblies and low-volume tooling. The lower sales in Asia were primarily due to a slowdown in demand for the Company's products which are used by OEMs in the manufacture of equipment for the internet and telecommunications infrastructure in developing countries. The Company's higher sales in Asia in 2015 were the result of a spike in demand for the Company's printed circuit materials products in Asia caused by internet and telecommunications infrastructure build-out programs in developing countries. In addition, the original equipment manufacturers ("OEMs") which manufacture equipment for these programs rapidly increased their inventory levels in excess of program demands.

The Company's gross profit margin, measured as a percentage of sales, decreased to 29.3% in 2016 from 30.2% in 2015 due primarily to lower sales and production levels of the Company's printed circuit materials products in Asia and North America in 2016 combined with the fixed nature of certain overhead costs, which were partially offset by higher sales of the Company's aerospace products, an improvement in its printed circuit materials production processes in North America, cost reduction initiatives in the United States and lower utility rates. The gross profit in 2016 also benefited from the higher percentage of sales of higher margin, high performance printed circuit materials products

than in 2015 and the growing percentage of sales of the Company's more technically advanced high performance products.

The Company's earnings from operations and net earnings in 2016 were 10% lower than in 2015, primarily as a result of the aforementioned decreases in sales and gross profit margin, partially offset by a 13% reduction in selling, general and administrative expenses. Selling, general and administrative expenses decreased primarily due to cost reduction initiatives, decreases in shipping expenses and legal and professional fees, lower incentive compensation expenses and favorable foreign exchange rates. Earnings from operations in 2016 included pre-tax restructuring charges of \$0.5 million in connection with the closure in fiscal year 2013 of the Nelco Technology (Zhuhai FTZ) Ltd. ("Nelco Zhuhai") facility located in the Free Trade Zone in Zhuhai, China and the closure in fiscal year 2009 of the New England Laminates Co., Inc. facility located in Newburgh, New York. Earnings from operations in 2015 included pre-tax charges of \$1.6 million related to a modification of previously issued employee stock options, additional fees incurred in connection with the 2014 fiscal year-end audit and the cost reduction initiatives and facility closures mentioned above.

During the first quarter of 2016, the Company sold the Nelco Zhuhai building in Zhuhai, China for \$2.0 million. There was no gain or loss on the sale of the building, since the carrying value of the building was equal to the selling price.

During 2016, the Company repatriated \$61.0 million to the United States from its subsidiary in Singapore primarily to replenish domestic cash that was used to pay a special cash dividend of \$1.50 per share in the fourth quarter of 2015 and to purchase 718,588 shares of the Company's stock in the fourth quarter of 2015 and during 2016. The Company made tax payments of \$10.7 million in the first quarter of 2016 in connection with such repatriation. The \$61.0 million repatriation did not have an impact on the provision for income taxes during 2016, since the income taxes on the repatriation were previously accrued during the fourth quarter of 2014.

The global markets for the Company's products continue to be very difficult to forecast, and it is not clear to the Company what the demand for the Company's products will be in 2017 or beyond.

## Results of Operations:

### Fiscal Year 2016 Compared to Fiscal Year 2015

	Fiscal Year Ended			
	February 28, 2016	March 1, 2015	Increase / (Decrease)	
(Amounts in thousands, except per share amounts)				
Net sales	\$145,855	\$162,086	\$(16,231)	-10 %
Cost of sales	103,103	113,133	(10,030)	-9 %
<b>Gross profit</b>	<b>42,752</b>	<b>48,953</b>	<b>(6,201)</b>	<b>-13 %</b>
Selling, general and administrative expenses	21,211	24,373	(3,162)	-13 %
Restructuring charges	535	1,179	(644)	-55 %
<b>Earnings from operations</b>	<b>21,006</b>	<b>23,401</b>	<b>(2,395)</b>	<b>-10 %</b>
Interest expense	1,657	1,438	219	15 %
Interest and other income	1,149	827	322	39 %
<b>Earnings before income taxes</b>	<b>20,498</b>	<b>22,790</b>	<b>(2,292)</b>	<b>-10 %</b>
Income tax provision	2,469	2,747	(278)	-10 %
<b>Net earnings</b>	<b>\$18,029</b>	<b>\$20,043</b>	<b>\$(2,014)</b>	<b>-10 %</b>
<b>Earnings per share:</b>				
Basic earnings per share	\$0.89	\$0.96	\$(0.07)	-7 %

Diluted earnings per share                      \$0.89      \$0.96      \$(0.07 ) -7 %

26

---

### *Net Sales*

The Company's total net sales worldwide in 2016 decreased 10% from 2015 primarily as a result of lower sales of the Company's printed circuit materials products in Asia and North America, partially offset by higher sales of the Company's aerospace composite materials, parts and assemblies products. The lower sales in Asia were primarily due to a slowdown in demand for the Company's products which are used by OEMs in the manufacture of equipment for the internet and telecommunications infrastructure in developing countries. The Company's higher sales in Asia in 2015 were the result of a spike in demand for the Company's printed circuit materials products in Asia caused by internet and telecommunications infrastructure build-out programs in developing countries. In addition, the OEMs which manufacture equipment for these programs rapidly increased their inventory levels in excess of program demands.

The Company's total net sales of its printed circuit materials products were \$106.7 million and \$126.4 million in 2016 and 2015, respectively, or 73% and 78%, respectively, of the Company's total net sales worldwide in such periods. The Company's total net sales of its aerospace composite materials, parts and assemblies products were \$39.1 million and \$35.6 million in 2016 and 2015, respectively, or 27% and 22%, respectively, of the Company's total net sales worldwide in such periods.

The Company's foreign sales were \$70.6 million, or 48% of the Company's total net sales worldwide, during 2016 compared to \$86.7 million of sales, or 53% of total net sales worldwide, during 2015. The decrease in 2016 was primarily due to the lower sales in Asia for reasons described above.

The Company's sales in North America, Asia and Europe were 52%, 42% and 6%, respectively, of the Company's total net sales worldwide, in 2016 compared to 46%, 47% and 7%, respectively, in 2015. The Company's sales in North America remained relatively flat, while its sales in Asia decreased 19% and its sales in Europe decreased 12% in 2016 compared to 2015.

During 2016, 93% of the Company's total net sales worldwide of printed circuit materials consisted of high performance printed circuit materials, compared to 92% during 2015.

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 at least 79GHz.

*Gross Profit*

The Company's gross profit margin, measured as a percentage of sales, decreased to 29.3% in 2016 from 30.2% in 2015 due primarily to lower sales and production levels of the Company's printed circuit materials products in Asia and North America in 2016 combined with the fixed nature of certain overhead costs, which were partially offset by higher sales of the Company's aerospace products, an improvement in its printed circuit materials production processes in North America, cost reduction initiatives in the United States and lower utility rates. The gross profit in 2016 also benefited from the higher percentage of sales of higher margin, high performance printed circuit materials products than in 2015 and the growing percentage of sales of the Company's more technically advanced high performance products.

*Selling, General and Administrative Expenses*

Selling, general and administrative expenses decreased by \$3.2 million, or 13%, during 2016 compared to 2015. Such expenses measured as percentages of sales were 14.5% during 2016 compared to 15.0% during 2015. The decrease in such expenses in 2016 was primarily the result of cost reduction initiatives, lower shipping expenses commensurate with the sales reduction in 2016, a decrease in legal and professional fees, lower incentive compensation expenses and favorable foreign exchange rates.

During 2015, the Company recorded non-cash charges of \$0.4 million related to the modification of previously issued employee stock options in connection with the \$1.50 per share special cash dividend paid by the Company in February 2015 and additional fees incurred in connection with the 2014 fiscal year-end audit. Selling, general and administrative expenses in 2016 included \$1.5 million of stock option expenses compared to \$1.4 million of such expenses in 2015.

*Restructuring Charges*

During 2016, the Company recorded pre-tax restructuring charges of \$0.5 million in connection with the closures in prior years of its facilities located in Zhuhai, China and Newburgh, New York, compared to pre-tax restructuring charges of \$1.2 million in 2015 in connection with cost reduction initiatives in the United States and the aforementioned facility closures.

*Earnings from Operations*

For the reasons set forth above, the Company's earnings from operations were \$21.0 million for 2016, including pre-tax charges of \$0.5 million associated with the closures in prior years of facilities in Zhuhai, China and Newburgh, New York, compared to \$23.4 million for 2015, including the non-cash pre-tax charges of \$0.2 million associated with the modification of previously issued employee stock options, pre-tax restructuring charges of \$1.2 million related to cost reduction initiatives in the United States and the closures in prior years of facilities in Zhuhai, China and Newburgh, New York and a pre-tax charge of \$0.2 million for additional fees incurred in connection with the 2014 fiscal year-end audit.

*Interest Expense*

Interest expense in 2016 was \$1.7 million, compared to \$1.4 million in 2015. The increase in interest expense in 2016 was primarily due to pre-tax deferred financing costs of \$0.3 million related to the early termination of the PNC Bank credit agreement. As previously reported, the Company entered into a three-year revolving credit facility agreement with HSBC Bank USA in January 2016, which replaced the credit facility agreement that the Company entered into with PNC Bank in February 2014. See Note 10 of the Notes to Consolidated Financial Statements included elsewhere in this Report and “Liquidity and Capital Resources” elsewhere in this Item 7 for additional information.

*Interest and Other Income*

Interest and other income were \$1.1 million and \$0.8 million for 2016 and 2015, respectively. The 39% increase in 2016 was primarily the result of higher weighted average interest rates based on larger average balances of marketable securities held by the Company in 2016 compared to last year's comparable period. During 2016 and 2015, 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 of 12.0% for 2016 was lower than the statutory U.S. Federal income tax rate because portions of the Company's taxable income in 2016 were derived in foreign jurisdictions with lower effective income tax rates. The Company's effective income tax rate was 12.1% for 2015. See "Results of Operations – Fiscal Year 2015 Compared to Fiscal Year 2014 – Income Tax Provision" elsewhere in this Item 7.

*Net Earnings*

The Company's net earnings for 2016 were \$18.0 million, including pre-tax charges of \$0.8 million related to the facility closures and deferred financing costs mentioned above, compared to \$20.0 million for 2015, including the pre-tax charges of \$1.6 million related to a modification of previously issued employee stock options, cost reduction initiatives in the United States and the facility closures and additional 2014 fiscal year-end audit fees described above. The net impact of the items described above was to reduce net earnings by \$0.6 million in 2016 and to reduce net earnings by \$1.0 million in 2015.

*Basic and Diluted Earnings Per Share*

Basic and diluted earnings per share for 2016 were \$0.89, including the facility closures and deferred financing costs mentioned above, compared to a basic and diluted earnings per share of \$0.96 for 2015, including the additional non-cash charges related to the modification of previously issued employee stock options, cost reduction initiatives in the United States and the facility closures and the additional 2014 fiscal year-end audit fees described above. The net impact of the items described above was to reduce basic and diluted earnings per share by \$0.02 and \$0.04 in 2016 and 2015, respectively.

Fiscal Year 2015 Compared to Fiscal Year 2014

(Amounts in thousands, except per share amounts)	Fiscal Year Ended			
	March 1,	March 2,	Increase /	
	2015	2014	(Decrease)	
Net sales	\$162,086	\$165,764	\$(3,678)	-2 %
Cost of sales	113,133	117,664	(4,531)	-4 %
<b>Gross profit</b>	<b>48,953</b>	<b>48,100</b>	<b>853</b>	<b>2 %</b>
Selling, general and administrative expenses	24,373	25,168	(795)	-3 %
Restructuring charges	1,179	546	633	116 %
<b>Earnings from operations</b>	<b>23,401</b>	<b>22,386</b>	<b>1,015</b>	<b>5 %</b>
Interest expense	1,438	764	674	88 %
Interest and other income	827	460	367	80 %
<b>Earnings before income taxes</b>	<b>22,790</b>	<b>22,082</b>	<b>708</b>	<b>3 %</b>
Income tax provision	2,747	64,411	(61,664)	-96 %
<b>Net (loss) earnings</b>	<b>\$20,043</b>	<b>\$(42,329)</b>	<b>\$62,372</b>	<b>147 %</b>
<b>Earnings per share:</b>				
Basic (loss) earnings per share	\$0.96	\$(2.03)	\$2.99	147 %
Diluted (loss) earnings per share	\$0.96	\$(2.03)	\$2.99	147 %

*Net Sales*

The Company's total net sales worldwide in 2015 decreased 2% from 2014 as a result of lower unit volumes of printed circuit materials products shipped to the Company's customers in North America and Europe, which were partially offset by higher unit volumes of printed circuit materials products shipped to the Company's customers in Asia and higher volumes of aerospace composite materials, parts and assemblies. The decrease in sales of the Company's printed circuit materials products in North America was primarily driven by a general slowdown in demand for certain legacy products, and the increase in sales of the Company's printed circuit materials products in Asia was primarily driven by an increase in demand for the Company's products as a result of the telecommunications infrastructure build-out in developing countries. The higher sales of the Company's aerospace composite materials, parts and assemblies products was primarily due to the qualification of its aerospace composite materials on a long-term jet engine manufacturing program. The Company's total net sales of its printed circuit materials products were \$126.4 million in 2015 and \$135.4 million in 2014 and comprised 78% and 82% of the Company's total net sales worldwide in 2015 and 2014, respectively. The Company's total net sales of its aerospace composite materials, parts and assemblies and low-volume tooling products were \$35.6 million in 2015 and \$30.4 million in 2014 and comprised

22% and 18% of the Company's total net sales worldwide in 2015 and 2014, respectively.

The Company's foreign sales were \$86.7 million, or 53% of the Company's total net sales worldwide, during 2015 compared to \$83.6 million of sales, or 50% of total net sales worldwide during 2014. The Company's foreign sales during 2015 increased 4% from 2014 as a result of higher sales in Asia.

The Company's sales in North America, Asia and Europe were 46%, 47% and 7%, respectively, of the Company's total net sales worldwide in 2015 compared to 50%, 43% and 7%, respectively, in 2014. The Company's sales in North America decreased 8%, its sales in Asia increased 6% and its sales in Europe decreased 9% in 2015 compared to 2014.

During 2015, 92% of the Company's total net sales worldwide of printed circuit materials consisted of high performance printed circuit materials, compared to 88% during 2014.

#### *Gross Profit*

Despite the reduction in the Company's total net sales and the fixed nature of certain overhead costs, the Company's gross profit in 2015 was 2% higher than its gross profit in the prior fiscal year and the overall gross profit as a percentage of net sales increased to 30.2% in 2015 compared to 29.0% in 2014. The increase in the gross profit margin was primarily due to reductions in utility rates, cost reduction initiatives in the United States, a decrease in repairs and maintenance expenses and the improved operating performance of the Company's PATC business unit as a result of the increase in sales and efficiencies from larger production volumes. The gross profit in 2015 also benefited from the higher percentage of sales of higher margin, high performance printed circuit materials products than in 2014 and the growing percentage of sales of the more technically advanced high performance products.

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

Selling, general and administrative expenses decreased by \$0.8 million, or 3%, during 2015 compared to 2014. Such expenses measured as percentages of sales were 15.0% during 2015 compared to 15.2% during 2014. The decrease in such expenses in 2015 was primarily the result of lower freight expenses commensurate with lower sales in 2015 than in 2014, and lower travel and entertainment costs, legal fees and stock option expenses, which were partially offset by unfavorable changes in foreign exchange rates.

During 2015 and 2014, the Company recorded non-cash charges of \$0.2 million and \$0.7 million, respectively, resulting from the modification of previously issued employee stock options resulting from the \$1.50 per share special cash dividend paid by the Company in February 2015 and the \$2.50 per share special cash dividend paid by the Company in February 2014. Selling, general and administrative expenses in 2015 included \$1.4 million of stock option expenses compared to \$1.7 million of such expenses in 2014.

#### *Restructuring Charges*

During 2015, the Company recorded pre-tax restructuring charges of \$1.2 million in connection with cost reduction initiatives in the United States and the closures in prior years of its facilities located in Zhuhai, China and Newburgh, New York, compared to pre-tax restructuring charges of \$0.5 million in 2014 related to the closure of the facility in Zhuhai, China.

*Earnings from Operations*

For the reasons set forth above, the Company's earnings from operations were \$23.4 million for 2015, including the non-cash pre-tax charges of \$0.2 million associated with the modification of previously issued employee stock options, pre-tax restructuring charges of \$1.2 million related to cost reduction initiatives in the United States and the closures in prior years of facilities in Zhuhai, China and Newburgh, New York and a pre-tax charge of \$0.3 million for additional fees incurred in connection with the 2014 fiscal year-end audit, compared to \$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, \$0.5 million related to the closure of the facility in Zhuhai, China and \$0.3 million for a financial advisory services retention fee.

### *Interest Expense*

Interest expense in 2015 related to the Company's outstanding 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 the 2014. The increase in interest expense of \$0.7 million in 2015 was due to the increase in outstanding borrowings in 2015 compared to 2014. The amended and restated agreement provides for 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.

### *Interest and Other Income*

Interest and other income was \$0.8 million and \$0.5 million for 2015 and 2014, respectively. Interest income increased 80% in 2015 as a result of higher weighted average interest rates based on larger average balances of marketable securities held by the Company in 2015 compared to last year's comparable period. During 2015 and 2014, 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 of 12.1% for 2015 was lower than the statutory U.S. Federal income tax rate because portions of the Company's taxable income in 2015 were derived in foreign jurisdictions with lower effective income tax rates. The Company's effective income tax rate was 291.7% for 2014, which 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 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 earnings for 2015 were \$20.0 million, including the pre-tax charges of \$1.6 million related to a modification of previously issued employee stock options, cost reduction initiatives in the United States and the facility closures and additional 2014 fiscal year-end audit fees mentioned above, compared to a net loss of \$42.3 million for 2014, including \$64.0 million related to the U.S. income tax on the undistributed earnings of the

Company's subsidiary in Singapore, a tax benefit of \$2.2 million in connection with a tax refund related to amended federal income tax returns and pre-tax charges of \$1.5 million related to the modification of previously issued employee stock options, the closure of the Company's facility in Zhuhai, China and the financial advisory services fee mentioned above. The net impact of the items described above was to reduce net earnings by \$1.0 million in 2015 and to reduce net earnings by \$62.5 million in 2014.

*Basic and Diluted Earnings Per Share*

Basic and diluted earnings per share for 2015 were \$0.96, including the additional non-cash charges related to the modification of previously issued employee stock options, cost reduction initiatives in the United States and the facility closures and the additional 2014 fiscal year-end audit fees mentioned above, compared to a basic and diluted loss per share of \$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 Zhuhai facility and the financial advisory services retention fee mentioned above. The net impact of the items described above was to reduce basic and diluted earnings per share by \$0.04 and \$3.00 in 2015 and 2014, respectively.

**Liquidity and Capital Resources:**

(Amounts in thousands)	February 28, 2016	March 1, 2015	Increase / (Decrease)
Cash and marketable securities	\$237,425	\$272,133	\$ (34,708 )
Restricted cash	10,000	-	10,000
Working capital	255,507	283,535	(28,028 )

(Amounts in thousands)	Fiscal Year Ended			Increase /	
	February 28, 2016	March 1, 2015	March 2, 2014	(Decrease)	
				2016 vs. 2015	2015 vs. 2014
Net cash provided by operating activities	\$13,948	\$29,011	\$30,382	\$(15,063)	\$(1,371 )
Net cash provided by (used in) investing activities	(8,017 )	5,481	(50,675)	(13,498)	56,156
Net cash used in financing activities	(49,495)	(25,948)	(32,536)	(23,547)	6,588

Cash, Marketable Securities and Restricted Cash

Of the \$247.4 million of cash, restricted cash and marketable securities at February 28, 2016, approximately \$231.6 million was owned by certain of the Company's wholly owned foreign subsidiaries. The Company believes it has sufficient liquidity to fund its operating activities through the end of 2017 and for the foreseeable future thereafter.

The change in cash, restricted cash and marketable securities at February 28, 2016 compared to March 1, 2015 was the result of lower cash provided by operating activities and a number of additional factors. The significant changes in cash provided by operating activities were as follows:

inventory decreased by 29% at February 28, 2016 compared to March 1, 2015 primarily due to the reductions in total net sales and production levels;

prepaid expenses and other current assets were 63% lower at February 28, 2016 than at March 1, 2015 principally due to a decrease in current deferred tax assets as a result of the adoption of Accounting Standards Update No. 2015-17, *Income Taxes (Topic 740: Balance Sheet Classification of Deferred Taxes)*;

accounts payable decreased 11% at February 28, 2016 compared to March 1, 2015 primarily due to the timing of payments to vendors and raw material purchases from suppliers;  
income taxes payable decreased 29% at February 28, 2016 compared to March 1, 2015 primarily as a result of a reduction in taxable income in Singapore in 2016;  
current portion of long-term debt decreased 70% at February 28, 2016 compared to March 1, 2015 as a result of a decrease in the amount of required scheduled principal payments under the credit agreement with HSBC Bank USA compared to the credit agreement with PNC Bank; and  
deferred income tax liabilities decreased 24% at February 28, 2016 compared to March 1, 2015 primarily due to income tax payments made in connection with the \$61.0 million repatriation of cash from Singapore to the United States.

In addition, the Company paid \$8.2 million and \$39.6 million in cash dividends during 2016 and 2015, respectively, including a special cash dividend of \$31.4 million paid in the fourth quarter of 2015. During 2016, the Company received \$2.0 million of proceeds from the sale of the Nelco Zhuhai building in Zhuhai, China, made \$19.0 million of principal payments on its long-term debt and purchased treasury shares at an aggregate cost of \$12.2 million.

#### Working Capital

The decrease in working capital at February 28, 2016 compared to March 1, 2015 was due principally to decreases in cash and cash equivalents and marketable securities, inventories and prepaid expenses and other current assets, partially offset by decreases in the current portion of long-term debt, income taxes payable and current deferred income tax liabilities.

The Company's current ratio (the ratio of current assets to current liabilities) was 16.3 to 1 at February 28, 2016 compared with 10.5 to 1 at March 1, 2015.

#### Cash Flows

During 2016, the Company's net earnings, before depreciation and amortization, stock-based compensation, amortization of bond premium and gain on sale of fixed assets, were \$23.8 million. Such earnings reflected a decrease in deferred income taxes of \$11.4 million and increased by changes in operating assets and liabilities of \$1.5 million, resulting in \$13.9 million of cash provided by operating activities. The provision for deferred income taxes was primarily related to taxes paid in connection with cash repatriated to the United States from Singapore. During 2016, the Company expended \$398,000 for the purchase of property, plant and equipment compared to \$430,000 during 2015, and the Company paid \$8.2 million and \$39.6 million in cash dividends in 2016 and 2015, respectively. In addition, during 2016, the Company received \$2.0 million in proceeds from the sale of the Nelco Zhuhai building in Zhuhai, China, made \$19.0 million of principal payments on its long-term debt and purchased treasury shares at an

aggregate cost of \$12.2 million.

*Long-Term Debt*

At February 28, 2016 and March 1, 2015, the Company had \$75.0 million and \$94.0 million of bank 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. As previously reported, the Company entered into a three-year revolving credit facility agreement with HSBC Bank USA in January 2016, which replaced the credit facility agreement that the Company entered into with PNC Bank in February 2014. For additional information, see Note 10 of the Notes to Consolidated Financial Statements included elsewhere in this Report.

Other Liquidity Factors

The Company believes its financial resources will be sufficient, through the end of 2017 and for the foreseeable future thereafter, to provide for continued investment in working capital and property, plant and equipment and for general corporate purposes. The Company's financial resources are also 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 11 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 February 28, 2016 the Company's significant contractual obligations, including payments due by fiscal year, were as follows:

<b>Contractual Obligations</b>	<b>Total</b>	<b>2017</b>	<b>2018-2019</b>	<b>2020-2021</b>	<b>2022 and Thereafter</b>
<b>(Amounts in thousands)</b>					
Operating lease obligations	\$12,625	\$1,955	\$3,741	\$3,090	\$3,839
Bank debt	75,000	3,000	72,000	-	-
Total	\$87,625	\$4,955	\$75,741	\$3,090	\$3,839

At February 28, 2016, the Company had unrecognized tax benefits of \$1.3 million. A reasonable estimate of the timing of the payment 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 2016, 2015 and 2014, the Company incurred approximately \$113,000, \$44,000 and \$27,000, respectively, for remedial response and voluntary cleanup costs and related legal fees, and the Company received, or expects to receive, reimbursement pursuant to general liability insurance coverage for approximately \$111,000, \$21,000 and \$15,000, respectively, of such amounts. 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 February 28, 2016 and March 1, 2015, 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 12 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 and tooling 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 three-year revolving credit facility agreement ("Credit Agreement") with HSBC Bank USA, National Association. See Note 10 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 2016 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 \$75.0 million, at February 28, 2016, 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 fluctuating rate per annum (computed on the basis of a year of 365 or 366 days, as the case may be, and actual days elapsed) equal to the Base Rate, such interest rate to change automatically from time to time effective as of the effective date of each change in the Base Rate or (b) a rate per annum (computed on the basis of a year of 360 days and actual days elapsed) equal to the one, two, three or six month LIBOR Rate (as defined in the Amended Credit Agreement) plus 1.15%. 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.

41

---

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders

Park Electrochemical Corp.

We have audited the accompanying consolidated balance sheets of Park Electrochemical Corp. and subsidiaries as of February 28, 2016 and March 1, 2015, and the related consolidated statements of operations, comprehensive earnings, shareholders' equity and cash flows for the years then ended. Our audits also included the financial statement schedule listed in the index at Item 15. Park Electrochemical Corp.'s management is responsible for these consolidated financial statements and financial statement schedule. Our responsibility is to express an opinion on these consolidated 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 consolidated 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 February 28, 2016 and March 1, 2015, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the 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), Park Electrochemical Corp. and subsidiaries' internal control over financial reporting as of February 28, 2016, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated May 13, 2016 expressed an unqualified opinion thereon.

/s/ CohnReznick LLP

Jericho, New York

May 13, 2016

42

---

Board of Directors and Shareholders Park Electrochemical Corp.

We have audited the consolidated balance sheet of Park Electrochemical Corp. (a New York corporation) and subsidiaries (the "Company") as of March 2, 2014 (not presented herein), and the related consolidated statements of operations, comprehensive earnings (loss), shareholders' equity, and cash flows for the year ended March 2, 2014. Our audit 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 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 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 audit provides 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 (not presented herein), and the results of their operations and their cash flows for the year 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.

/s/ GRANT THORNTON LLP

New York, New York

May 16, 2014

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

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

	February 28, 2016	March 1, 2015
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$97,757	\$141,538
Marketable securities (Note 2)	139,668	130,595
Accounts receivable, less allowance for doubtful accounts of \$324 and \$396, respectively	22,583	21,431
Inventories (Note 3)	10,214	14,439
Prepaid expenses and other current assets (Note 4)	1,963	5,256
<b>Total current assets</b>	<b>272,185</b>	<b>313,259</b>
Property, plant and equipment, net	21,512	26,537
Goodwill and other intangible assets (Note 3)	9,833	9,840
Restricted cash	10,000	-
Other assets (Note 4)	1,247	1,046
<b>Total assets</b>	<b>\$314,777</b>	<b>\$350,682</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Current portion of long-term debt (Note 10)	\$3,000	\$10,000
Accounts payable	6,155	6,882
Accrued liabilities (Note 3)	4,580	4,767
Income taxes payable	2,943	4,141
Current deferred income taxes	-	3,934
<b>Total current liabilities</b>	<b>16,678</b>	<b>29,724</b>
Long-term debt (Note 10)	72,000	84,000
Deferred income taxes (Note 4)	43,937	54,155
Other liabilities (Note 4)	1,295	1,204
<b>Total liabilities</b>	<b>133,910</b>	<b>169,083</b>
Commitments and contingencies (Notes 11 and 12)		
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, 20,965,144 and 20,962,644 shares, respectively	2,096	2,096
Additional paid-in capital	166,398	164,819
Retained earnings	25,922	16,048

Accumulated other comprehensive earnings	1,471	1,468
	<b>195,887</b>	<b>184,431</b>
Less treasury stock, at cost, 730,473 and 130,641 shares, respectively	(15,020 )	(2,832 )
<b>Total shareholders' equity</b>	<b>180,867</b>	<b>181,599</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 314,777</b>	<b>\$ 350,682</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>February 28, 2016</b>	<b>March 1, 2015</b>	<b>March 2, 2014</b>
Net sales	\$ 145,855	\$ 162,086	\$ 165,764
Cost of sales	103,103	113,133	117,664
<b>Gross profit</b>	<b>42,752</b>	<b>48,953</b>	<b>48,100</b>
Selling, general and administrative expenses	21,211	24,373	25,168
Restructuring charges (Note 8)	535	1,179	546
<b>Earnings from operations</b>	<b>21,006</b>	<b>23,401</b>	<b>22,386</b>
Interest expense (Note 10)	1,657	1,438	764
Interest and other income	1,149	827	460
<b>Earnings before income taxes</b>	<b>20,498</b>	<b>22,790</b>	<b>22,082</b>
Income tax provision (Note 4)	2,469	2,747	64,411
<b>Net earnings (loss)</b>	<b>\$18,029</b>	<b>\$20,043</b>	<b>\$(42,329)</b>
<b>Earnings (loss) per share (Note 7):</b>			
Basic earnings (loss) per share	\$0.89	\$0.96	\$(2.03 )
Basic weighted average shares	20,347	20,912	20,849
Diluted earnings (loss) per share	\$0.89	\$0.96	\$(2.03 )
Diluted weighted average shares	20,352	20,986	20,849

See Notes to Consolidated Financial Statements.

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


---

	<b>Fiscal Year Ended</b>		
	<b>February</b>	<b>March</b>	<b>March</b>
	<b>28,</b>	<b>1,</b>	<b>2,</b>
	<b>2016</b>	<b>2015</b>	<b>2014</b>
Net earnings (loss)	\$18,029	\$20,043	\$(42,329)
Other comprehensive earnings, net of tax:			
Foreign currency translation	62	185	420
Unrealized gains on marketable securities:			
Unrealized holding gains arising during the period	52	90	117
Less: reclassification adjustment for gains included in net earnings (loss)	(18 )	(21 )	(20 )
Unrealized losses on marketable securities:			
Unrealized holding losses arising during the period	(156 )	(20 )	(83 )
Less: reclassification adjustment for losses included in net earnings (loss)	63	13	158
Other comprehensive earnings	3	247	592
<b>Total comprehensive earnings (loss)</b>	<b>\$18,032</b>	<b>\$20,290</b>	<b>\$(41,737)</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 Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Earnings	Treasury Stock Shares	Treasury Stock Amount
<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	-	-	-	-
Stock-based compensation	-	-	1,730	-	-	-	-
Repurchase of treasury shares	-	-	-	-	-	8	-
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>
Net earnings	-	-	-	20,043	-	-	-
Foreign currency translation	-	-	-	-	185	-	-
Unrealized gain on marketable securities, net of tax	-	-	-	-	62	-	-
Stock options exercised	79,800	8	1,724	-	-	-	-
Stock-based compensation	-	-	1,418	-	-	-	-
Repurchase of treasury shares	-	-	-	-	-	126,567	(2,738 )
Cash dividends (\$1.90 per share)	-	-	-	(39,646 )	-	-	-
<b>Balance, March 1, 2015</b>	<b>20,962,644</b>	<b>\$ 2,096</b>	<b>\$ 164,819</b>	<b>\$ 16,048</b>	<b>\$ 1,468</b>	<b>130,641</b>	<b>\$(2,832 )</b>
Net earnings	-	-	-	18,029	-	-	-
Foreign currency translation	-	-	-	-	62	-	-
Unrealized loss on marketable securities, net of tax	-	-	-	-	(59 )	-	-
Stock options exercised	2,500	-	44	-	-	-	-
Stock-based compensation	-	-	1,535	-	-	-	-
Repurchase of treasury shares	-	-	-	-	-	599,832	(12,188)
Cash dividends (\$.40 per share)	-	-	-	(8,155 )	-	-	-
<b>Balance, February 28, 2016</b>	<b>20,965,144</b>	<b>\$ 2,096</b>	<b>\$ 166,398</b>	<b>\$ 25,922</b>	<b>\$ 1,471</b>	<b>730,473</b>	<b>\$(15,020)</b>

See Notes to Consolidated Financial Statements.

47

---

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

	<b>Fiscal Year Ended</b>		
	<b>February 28, 2016</b>	<b>March 1, 2015</b>	<b>March 2, 2014</b>
<b>Cash flows from operating activities:</b>			
Net earnings (loss)	\$ 18,029	\$ 20,043	\$(42,329 )
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:			
Depreciation and amortization	3,369	3,559	3,757
Stock-based compensation	1,535	1,418	1,730
(Benefit) provision for deferred income taxes	(11,412 )	(2,815 )	63,681
Amortization of bond premium	886	796	1,816
Gain on sale of fixed assets	(31 )	-	(75 )
Changes in operating assets and liabilities:			
Accounts receivable	(1,152 )	1,138	3,087
Inventories	4,225	(664 )	(925 )
Prepaid expenses and other current assets	(131 )	1,713	2,442
Other assets and liabilities	620	1,490	(813 )
Accounts payable	(727 )	322	(240 )
Accrued liabilities	(65 )	866	(567 )
Income taxes payable	(1,198 )	1,145	(1,182 )
<b>Net cash provided by operating activities</b>	<b>13,948</b>	<b>29,011</b>	<b>30,382</b>
<b>Cash flows from investing activities:</b>			
Purchase of property, plant and equipment	(398 )	(430 )	(1,117 )
Proceeds from sales of property, plant and equipment	2,057	-	100
Purchases of marketable securities	(105,998)	(100,074)	(210,693)
Proceeds from sales and maturities of marketable securities	96,322	105,985	161,035
<b>Net cash (used in) provided by investing activities</b>	<b>(8,017 )</b>	<b>5,481</b>	<b>(50,675 )</b>
<b>Cash flows from financing activities:</b>			
Dividends paid	(8,155 )	(39,646 )	(60,534 )
Decrease (increase) in restricted cash	(10,000 )	25,000	(25,000 )
Proceeds from exercise of stock options	44	1,732	1,162
Proceeds from long-term debt	75,000	-	52,000
Payments of long-term debt	(94,000 )	(10,000 )	-
Payments for debt issuance costs	(196 )	(296 )	(164 )
Purchase of treasury stock	(12,188 )	(2,738 )	-
<b>Net cash used in financing activities</b>	<b>(49,495 )</b>	<b>(25,948 )</b>	<b>(32,536 )</b>

Edgar Filing: PARK ELECTROCHEMICAL CORP - Form 10-K

(Decrease) increase in cash and cash equivalents before effect of exchange rate changes	(43,564 )	8,544	(52,829 )
Effect of exchange rate changes on cash and cash equivalents	(217 )	(156 )	(138 )
<b>(Decrease) increase in cash and cash equivalents</b>	<b>(43,781 )</b>	<b>8,388</b>	<b>(52,967 )</b>
Cash and cash equivalents, beginning of year	141,538	133,150	186,117
<b>Cash and cash equivalents, end of year</b>	<b>\$97,757</b>	<b>\$141,538</b>	<b>\$133,150</b>

See Notes to Consolidated Financial Statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Three years ended February 28, 2016

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

---

### 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 and low-volume tooling 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 that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results  
b. may differ from those estimates. In addition, certain amounts in the prior years’ consolidated statements of shareholders’ equity, consolidated statements of cash flows and Note 3, “Other Balance Sheet Data”, have been reclassified to conform to the current year presentation.

*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 2016, 2015 and 2014 fiscal years ended on February 28, 2016, March 1, 2015 and March 2, 2014, respectively. Fiscal years 2016, 2015 and 2014 all consisted of 52 weeks.

*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 10). 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 2016 and 2015 fiscal years.

*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 \$39,968 and \$0 in debt securities included in cash equivalents at February 28, 2016 and March 1, 2015, respectively, which were valued based on Level 2 inputs. (See Note 2). Certain of the Company's cash and cash equivalents are in excess of U.S. government insurance. Approximately \$231,572 of the \$247,425 of cash and marketable securities and restricted cash at February 28, 2016 was owned by certain of the Company's wholly owned foreign subsidiaries.

The Company classifies amounts required by the Credit Agreement described in Note 10 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>2016</b>	<b>2015</b>	<b>2014</b>
Cash paid during the year for:			
Income taxes, net of refunds	\$14,728	\$1,707	\$612
Interest	1,119	1,380	729



At February 28, 2016 and March 1, 2015, the Company held approximately \$28,878 and \$28,970, 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 earnings (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 2016, 2015 or 2014 fiscal years other than impairments associated with restructuring activities (See Note 8).

*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 2016, 2015 or 2014 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 \$2,855, \$3,398 and \$3,833 for the 2016, 2015 and 2014 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 \$3,369, \$3,559 and \$3,757 for the 2016, 2015 and 2014 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 earnings (loss).

*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:

	February 28, 2016			
	Total	Level 1	Level 2	Level 3
U.S. Treasury and other government securities	\$118,194	\$118,194	\$ -	\$ -
U.S. corporate debt securities	21,474	21,474	-	-
<b>Total marketable securities</b>	<b>\$139,668</b>	<b>\$139,668</b>	<b>\$ -</b>	<b>\$ -</b>

	March 1, 2015			
	Total	Level 1	Level 2	Level 3
U.S. Treasury and other government securities	\$119,493	\$119,493	\$-	\$ -
U.S. corporate debt securities	11,102	7,084	4,018	-
<b>Total marketable securities</b>	<b>\$130,595</b>	<b>\$126,577</b>	<b>\$4,018</b>	<b>\$ -</b>

At March 1, 2015, 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 ongoing 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:

**Amortized Gross                  Gross**

	<b>Cost Basis</b>	<b>Unrealized Gains</b>	<b>Unrealized Losses</b>
<b>February 28, 2016:</b>			
U.S. Treasury and other government securities	\$ 117,897	\$ 372	\$ 74
U.S. corporate debt securities	21,554	-	81
<b>Total marketable securities</b>	<b>\$ 139,451</b>	<b>\$ 372</b>	<b>\$ 155</b>
<b>March 1, 2015:</b>			
U.S. Treasury and other government securities	\$ 119,191	\$ 314	\$ 12
U.S. corporate debt securities	11,097	5	-
<b>Total marketable securities</b>	<b>\$ 130,288</b>	<b>\$ 319</b>	<b>\$ 12</b>

**Fiscal Year**  
**2016 2015 2014**

Gross realized gains on sale \$- \$ 17 \$ 26

Gross realized losses on sale \$- \$ 44 \$ 209

The estimated fair values of such securities at February 28, 2016, by contractual maturity, are shown below:

Due in one year or less	\$51,166
Due after one year through five years	88,502
	<b>\$139,668</b>

### 3. Other balance sheet data

Other balance sheet data consisted of the following:

	February 28, 2016	March 2, 2015
<b><u>Inventories:</u></b>		
Raw materials	\$5,462	\$7,376
Work-in-process	2,215	3,114
Finished goods	2,172	3,605
Manufacturing supplies	365	344
	<b>\$10,214</b>	<b>\$14,439</b>
<b><u>Property, plant and equipment:</u></b>		
Land, buildings and improvements	\$39,915	\$42,019
Machinery, equipment, furniture and fixtures	130,143	130,585
	<b>170,058</b>	<b>172,604</b>
Less: accumulated depreciation and amortization	148,546	146,067
	<b>\$21,512</b>	<b>\$26,537</b>

### **Goodwill and other intangible assets:**

Goodwill	\$9,776	\$9,776
Other intangibles	57	64
	<b>\$9,833</b>	<b>\$9,840</b>

**Accrued liabilities:**

Payroll and payroll related	\$2,078	\$2,117
Employee benefits	279	262
Workers' compensation	241	300
Professional fees	762	671
Restructuring (Note 8)	64	182
Other	1,156	1,235
	<b>\$4,580</b>	<b>\$4,767</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 2017 fiscal year. The Company sold the Nelco Technology (Zhuhai FTZ) Ltd. building for \$2,026 during the first quarter of the 2016 fiscal year. There was no gain or loss on the sale of the building, since the carrying value of the building was equal to the selling price.

**4. Income Taxes**

The income tax provision includes the following:

	<b>Fiscal Year</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Current:</b>			
Federal	\$ 10,118	\$-	\$(2,435 )
State and local	(120 )	(39 )	(55 )
Foreign	3,883	5,601	3,220
	<b>13,881</b>	<b>5,562</b>	<b>730</b>
<b>Deferred:</b>			
Federal	(11,273)	(2,238)	63,105
State and local	(205 )	(290 )	69
Foreign	66	(287 )	507
	<b>(11,412)</b>	<b>(2,815)</b>	<b>63,681</b>
	<b>\$2,469</b>	<b>\$2,747</b>	<b>\$64,411</b>

Current federal income tax benefits of \$2,435 in the 2014 fiscal year was 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 repatriated \$61,000 in cash from Nelco Products Pte Ltd. in the 2016 fiscal year, and the Company recorded a non-cash charge in the fourth quarter of the 2014 fiscal year 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. No such charge was recorded in the 2016 or 2015 fiscal years.

State income tax benefits from loss carryforwards to future years were recognized as deferred tax assets in the 2016, 2015 and 2014 fiscal years.

	<b>Fiscal Year</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
United States	\$(3,331 )	\$(6,704 )	\$(2,080 )

Foreign	23,829	29,494	24,162
<b>Earnings before income taxes</b>	<b>\$20,498</b>	<b>\$22,790</b>	<b>\$22,082</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>2016</b>	<b>2015</b>	<b>2014</b>
Statutory U.S. Federal tax rate	35.0 %	34.0 %	34.0 %
State and local taxes, net of Federal benefit	1.2 %	-1.1 %	-0.2 %
Foreign tax rate differentials	-21.0%	-22.2%	-19.6 %
Valuation allowance on deferred tax assets	-0.2 %	0.6 %	2.4 %
Adjustment on tax accruals and other	3.3 %	1.3 %	-3.0 %
Foreign tax credits	-1.1 %	-0.5 %	-0.6 %
Deferred tax liability on undistributed foreign earnings	-4.5 %	0.0 %	289.6%
Claim for refund	0.0 %	0.0 %	-10.5 %
Permanent differences and other	-0.7 %	0.0 %	-0.4 %
	<b>12.0 %</b>	<b>12.1 %</b>	<b>291.7 %</b>

The Company had federal net operating loss carryforwards of \$0 and \$8,611 in the 2016 and 2015 fiscal years, respectively, state net operating loss carryforwards of approximately \$10,083 and \$14,360 in the 2016 and 2015 fiscal years, respectively, and total net foreign operating loss carryforwards of approximately \$30,871 and \$33,672 in the 2016 and 2015 fiscal years, respectively. The foreign net operating loss carryforwards were not utilized in the 2016 fiscal year and the Company has set up a valuation allowance for such carryforwards. The state net operating loss carryforwards will expire in 2017 through 2035.

The Company had foreign tax credit carryforwards of \$524 and \$486 at February 28, 2016 and March 1, 2015, respectively, which expire in 2026. As of February 28, 2016 and March 1, 2015, research and development and other credits were \$0 and \$392, respectively.

The Company had New York State investment tax credit carryforwards of \$478 and \$709 in the 2016 and 2015 fiscal years, respectively. The New York State investment tax credits expire in fiscal years 2017 through 2018. The Company had Kansas tax credits of \$225 in both fiscal years 2016 and 2015, 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 Company had Arizona tax credits of \$135 in both fiscal years 2016 and 2015, for which no benefit has been provided.

The deferred tax asset valuation allowance of \$11,115 as of February 28, 2016 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 2016 fiscal year, the valuation allowance decreased by \$772 primarily due to the write-off of net operating

loss carryforwards generated in Zhuhai and the expiration of New York State investment tax credit 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 February 28, 2016 and March 1, 2015 were as follows:

	<b>February 28, 2016</b>	<b>March 1, 2015</b>
<b>Deferred tax assets:</b>		
Depreciation and amortization	\$3,761	\$3,856
Net operating loss carryforwards	10,800	14,686
Tax credits carryforward	1,363	1,811
Stock options	1,925	1,899
Other, net	578	531
	<b>18,427</b>	<b>22,783</b>
Valuation allowance on deferred tax assets	(11,115 )	(11,887)
<b>Total deferred tax assets, net of valuation allowance</b>	<b>7,312</b>	<b>10,896</b>
<b>Deferred tax liabilities:</b>		
Depreciation	(526 )	(446 )
Undistributed earnings	(48,865 )	(63,958)
Other	(1,281 )	(1,257 )
<b>Total deferred tax liabilities</b>	<b>(50,672 )</b>	<b>(65,661)</b>
<b>Net deferred tax liability</b>	<b>\$(43,360 )</b>	<b>\$(54,765)</b>

On the Consolidated Balance Sheets, the net deferred tax asset of \$584 at February 28, 2016 was included in other assets and the net deferred tax asset of \$3,324 at March 1, 2015 was included in prepaid expenses and other current assets.

At February 28, 2016 and March 1, 2015, the Company had gross unrecognized tax benefits of \$1,295 and \$1,204, respectively, 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 February 28, 2016 were recognized, the Company's effective tax rate would change.

As discussed in Note 15, on February 28, 2016 the Company early adopted Accounting Standards Update 2015-17 *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes* on a prospective basis. Therefore, the prior year balance sheet presentation has not been adjusted.



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

	<b>Unrecognized Tax Benefits</b>		
	<b>February 28, 2016</b>	<b>March 1, 2015</b>	<b>March 2, 2014</b>
<b>Balance, beginning of year</b>	<b>\$1,135</b>	<b>\$276</b>	<b>\$3,053</b>
Gross decreases-tax positions in prior period		(21 )	(2,776)
Gross increases-current period tax positions	271	880	-
Audit settlements	(57 )	-	-
Lapse of statute of limitations	(94 )	-	(1 )
<b>Balance, end of year</b>	<b>\$1,255</b>	<b>\$1,135</b>	<b>\$276</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 2016 fiscal year upon the expiration of statutes of limitations.

A list of open tax years by major jurisdiction follows:

California	2012-2016
New York	2013-2016
France	2014-2016
Singapore	2009-2016

The Company had approximately \$51 and \$70 of accrued interest and penalties as of February 28, 2016 and March 1, 2015, 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 2015 fiscal year, the New York State Department of Taxation closed an examination of the Company's tax returns for the 2008, 2009, 2010 and 2011 fiscal years without audit adjustments assessed.

**5. STOCK-BASED COMPENSATION**

As of February 28, 2016, 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 February 28, 2016, 1,466,030 shares of common stock of the Company were reserved for issuance upon exercise of stock options under the Plan, and 234,638 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 February 28, 2016 was \$3,212, which is expected to be recognized ratably over a weighted average vesting period of 2.66 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 2016, 2015 and 2014 fiscal years:

	<b>Fiscal Year 2016</b>		<b>2015</b>		<b>2014</b>
Weighted average fair value per share of option grants	\$ 5.30		\$ 8.05		\$ 8.79
Risk-free interest rates	1.57 - 1.86%		2.03 - 2.18%		1.64 - 2.15%
Expected stock price volatility	27.91 - 31.71%		31.07 - 31.59%		32.80 - 34.00%
Expected dividend yields	1.84 - 2.76%		1.34 - 1.77%		1.46 - 1.67%
Estimated option terms (years)	5.3 - 7.9		7.8		6.1 - 8.1

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 2016 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 2015 fiscal year, the Company's Board of Directors approved a reduction of \$1.50 per share in the exercise price of all outstanding options as a result of the special cash dividend of \$1.50 per share paid by the Company in February 2015. 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 total incremental compensation expenses of \$131 and \$205 for the 2016 and 2015 fiscal

years, respectively, which were recorded in selling, general and administrative expenses.

Information with respect to stock option activity follows:

	Outstanding Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term  (in years)	Aggregate Intrinsic Value
<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>		
Granted	18,000	25.81		
Exercised	(79,800 )	21.49		
Terminated or expired	(52,625 )	24.21		
Granted under option modification	996,892	22.55		
Cancelled under option modification	(996,892 )	24.05		
<b>Balance, March 1, 2015</b>	<b>966,692</b>	<b>\$ 22.55</b>		
Granted	379,450	17.82		
Exercised	(2,500 )	19.91		
Terminated or expired	(117,250 )	21.53		
<b>Balance, February 28, 2016</b>	<b>1,226,392</b>	<b>\$ 21.19</b>	<b>6.16</b>	<b>\$ -</b>
<b>Vested and exercisable, February 28, 2016</b>	<b>721,525</b>	<b>\$ 22.38</b>	<b>4.16</b>	<b>\$ -</b>
<b>Expected to vest, February 28, 2016</b>	<b>1,162,620</b>	<b>\$ 21.19</b>	<b>6.16</b>	<b>\$ -</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 2016, 2015 and 2014 fiscal years were \$4, \$688 and \$249, respectively.

A summary of the status of the Company's non-vested options at February 28, 2016, and changes during the fiscal year then ended, is presented below:

	<b>Shares Subject to Options</b>	<b>Weighted Average Grant Date Fair Value</b>
<b>Non-vested, beginning of year</b>	<b>271,987</b>	<b>\$ 8.27</b>
Granted	379,450	5.30
Vested	(106,470)	8.10
Terminated or expired	(40,100 )	8.02
<b>Non-vested, end of year</b>	<b>504,867</b>	<b>\$ 6.09</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 such 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 and exercisable as provided in the plan, was attached to each outstanding share of the Company's common stock. The Rights expired on July 20, 2015.

*Treasury Stock* – On January 8, 2015, the Company announced that its Board of Directors has authorized the Company's purchase, on the open market and in privately negotiated transactions, of up to 1,250,000 shares of its common stock, representing approximately 6% of the Company's 20,945,634 total outstanding shares as of the close of business on January 7, 2015. This authorization superseded all prior Board of Directors' authorizations to purchase shares of the Company's common stock. (See Note 16 for additional information).

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 total outstanding shares at that time.

During the 2016 and 2015 fiscal years, the Company purchased 599,832 and 126,564 shares, respectively, pursuant to the above authorizations at an aggregate purchase price of \$12,187 and \$2,738, respectively, leaving 531,412 shares that may be purchased pursuant to the January 8, 2015 authorization. In addition, the Company purchased three shares during the 2015 fiscal year not pursuant to such authorizations.

*Reserved Common Shares* – At February 28, 2016, 1,466,030 shares of common stock were reserved for issuance upon exercise of stock options.

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

**February 28, 2016**   **March 1,**

	<b>2015</b>	
Currency translation adjustment	\$ 1,330	\$1,268
Unrealized gains on investments, net of taxes of \$76 and \$108, respectively	141	200
<b>Accumulated balance</b>	<b>\$ 1,471</b>	<b>\$1,468</b>

## **7. EARNINGS (LOSS) PER SHARE**

Basic earnings (loss) per share are computed by dividing net earnings (loss) by the weighted average number of shares of common stock outstanding during the period. Diluted earnings (loss) per share are computed by dividing net earnings (loss) 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 (loss) per share:

<i>(Amounts in thousands, except per share amounts)</i>	<b>Fiscal Year</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Net earnings (loss)</b>	<b>\$18,029</b>	<b>\$20,043</b>	<b>\$(42,329)</b>
Weighted average common shares outstanding for basic EPS	20,347	20,912	20,849
Net effect of dilutive options	5	74	-
<b>Weighted average shares outstanding for diluted EPS</b>	<b>20,352</b>	<b>20,986</b>	<b>20,849</b>
<b>Basic earnings (loss) per share</b>	<b>\$0.89</b>	<b>\$0.96</b>	<b>\$(2.03 )</b>
<b>Diluted earnings (loss) per share</b>	<b>\$0.89</b>	<b>\$0.96</b>	<b>\$(2.03 )</b>

Potentially dilutive stock options, 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 919,509, 192,063 and 1,081,000 for the 2016, 2015 and 2014 fiscal years, respectively.

## **8. restructuring charges**

The Company paid \$100 and \$218 of additional pre-tax restructuring charges during the 2016 and 2015 fiscal years, respectively, related to the closure in the 2013 fiscal year of the Company's Nelco Technology (Zhuhai FTZ) Ltd. business unit located in Zhuhai, China. The Company sold the Nelco Technology (Zhuhai FTZ) Ltd. building for \$2,026 during the first quarter of the 2016 fiscal year. There was no gain or loss on the sale of the building, since the carrying value of the building was equal to the selling price.

The Company recorded additional restructuring charges of \$435 and \$485 in the 2016 and 2015 fiscal years, respectively, related to the closure in the 2009 fiscal year of the Company's New England Laminates Co., Inc. business unit located in Newburgh, New York. 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 2017 fiscal year.

In the 2015 fiscal year third quarter, the Company recorded a \$496 charge in connection with cost reduction initiatives in the United States. During the 2016 and 2015 fiscal years, the Company paid \$504 of charges related to such cost reduction initiatives, and there is no remaining liability related to such initiatives.

## 9. 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 \$100 and \$268 for fiscal years 2015 and 2014, respectively. The contribution for fiscal year 2016 has not been determined or 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 \$112, \$123 and \$142 in the 2016, 2015 and 2014 fiscal years, respectively.

## **10. LONG-TERM DEBT**

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 (“PNC Bank”). The Amended Credit Agreement provided 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. Through January 15, 2016, the Company had 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 a prior credit agreement with PNC Bank, and PNC Bank had issued two standby letters of credit for the account of the Company in the total amount of \$1,100 to secure the Company’s obligations under its workers’ compensation insurance program. During the 2016 fiscal year, the Company made a \$10,000 principal payment in accordance with the Amended Credit Agreement.

On January 15, 2016, the Company entered into a three-year revolving credit facility agreement (the “Credit Agreement”) with HSBC Bank USA, National Association (“HSBC Bank”). This Credit Agreement replaces the Amended Credit Agreement that the Company entered into with PNC Bank in February 2014 described in the preceding paragraph. The Credit Agreement provides for loans up to \$75,000 and letters of credit up to \$2,000. During the 2016 fiscal year, the Company made no payments in accordance with the Credit Agreement. The \$75,000 is payable in twelve quarterly installments of \$750 each, with the remaining amount outstanding under the Credit Agreement payable on January 26, 2019.

Borrowers under the Credit Agreement bear interest at a rate equal to, at the Company’s option, either (a) a fluctuating rate per annum (computed on the basis of a year of 365 or 366 days, as the case may be, and actual days elapsed) equal to the Base Rate, such interest rate to change automatically from time to time effective as of the effective date of each change in the Base Rate or (b) a rate per annum (computed on the basis of a year of 360 days and actual days elapsed) equal to the one, two, three or six month LIBOR Rate plus 1.15%. Under the Credit Agreement, the Company is also obligated to pay to HSBC Bank a nonrefundable commitment fee equal to 0.10% per annum (computed on the basis of a year of 360 days and actual days elapsed) multiplied by the average daily difference between the amount of (i) the revolving credit commitment plus the letter of credit facility and (ii) the revolving facility usage, payable quarterly in arrears.

The Credit Agreement contains certain customary affirmative and negative covenants and customary financial covenants. The covenants under the Credit Agreement require the Company to (a) maintain a gross leverage charge ratio not to exceed 3.75 to 1.00 beginning with the fiscal quarter first ending after January 26, 2016 and continuing thereafter, (b) maintain a minimum fixed charge coverage ratio of 1.10 to 1.00 beginning with the fiscal quarter first ending after January 26, 2016 and continuing thereafter, and (c) maintain a minimum quick ratio of 2.00 to 1.00

beginning with the fiscal quarter first ending after January 26, 2016 and continuing thereafter. In addition, the Company must maintain minimum domestic liquid assets of \$10,000 in cash held at all times in a domestic deposit account.

At February 28, 2016, \$75,000 of indebtedness was outstanding under the HSBC Bank Credit Agreement with an interest rate of 1.66%. Interest expense recorded under both the PNC Bank Amended Credit Agreement and the HSBC Bank Credit Agreement was approximately \$1,365, \$1,438 and \$764 during the 2016, 2015 and 2014 fiscal years, respectively, which is included in interest expense on the Consolidated Statements of Operations. In addition, the Company accelerated the deferred financing costs of \$292 which related to the PNC Bank Credit Agreement that was recorded as interest expense in the fourth quarter of the 2016 fiscal year.

At February 28, 2016, scheduled principal maturities of long-term debt were as follows:

<b>Fiscal Year</b>	<b>Amount</b>
2017	\$ 3,000
2018	3,000
2019	69,000
	<b>75,000</b>
Less current portion	3,000
	<b>\$ 72,000</b>

## 11. 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 2021. 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 2040.

These non-cancelable leases have the following payment schedule:

<b>Fiscal Year</b>	<b>Amount</b>
2017	\$ 1,955
2018	1,978
2019	1,763
2020	1,757
2021	1,333
Thereafter	3,839
	<b>\$ 12,625</b>

Rental expenses, inclusive of real estate taxes and other costs, were \$2,774, \$2,881 and \$2,765 for the 2016, 2015 and 2014 fiscal years, respectively.

## 12. 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.

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.

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 \$2, \$23 and \$12 in the 2016, 2015 and 2014 fiscal years, respectively. The Company had no recorded liabilities for environmental matters for the 2016 and 2015 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, three insurance carriers reimburse the Company and its subsidiaries for 100% of the legal defense and remediation costs associated with the three sites. The settlement does not 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 Company's results of operations, cash flows or financial position.

### 13. 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 and low volume tooling 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>2016</b>	<b>2015</b>	<b>2014</b>
<b>Sales:</b>			
North America	\$75,215	\$75,395	\$82,187
Asia	61,264	76,000	71,854
Europe	9,376	10,691	11,723
<b>Total sales</b>	<b>\$145,855</b>	<b>\$162,086</b>	<b>\$165,764</b>

#### **Long-lived assets:**

North America	\$22,846	\$23,562	\$26,899
Asia	9,478	12,490	13,557
Europe	268	325	397
<b>Total long-lived assets</b>	<b>\$32,592</b>	<b>\$36,377</b>	<b>\$40,853</b>

### 14. Customer and Supplier Concentrations

*Customers* – Sales to TTM Technologies Inc. were 13.8% and 15.8% of the Company's total worldwide sales for the 2016 and 2014 fiscal years, respectively. During the Company's 2015 fiscal year, the Company did not have sales to any customer that equaled or exceeded 10% of the Company's total worldwide sales.

While no other customer accounted for 10% or more of the Company's total worldwide sales in the 2016 or 2014 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.

## 15. ACCOUNTING PRONOUNCEMENTS

### Recently Adopted

In November 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2015-17, *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes*, as part of the FASB's Simplification Initiative to identify, evaluate, and improve areas of U.S. GAAP for which cost and complexity can be reduced while maintaining or improving the usefulness of the information provided to users. The ASU simplifies the presentation of deferred income taxes under U.S. GAAP by requiring that all deferred tax assets and liabilities be classified as non-current. For public companies, the ASU is effective for financial statements issued for fiscal years beginning after December 15, 2016 and interim reporting periods within those fiscal years. For all other entities, the ASU is effective for financial statements issued for fiscal years beginning after December 15, 2017 and interim reporting periods within fiscal years beginning after December 15, 2018. Earlier application is permitted for all entities as of the beginning of an interim or annual reporting period. The Company elected to early adopt this guidance retrospectively in the fourth quarter of the Company's 2016 fiscal year, and the early adoption of this guidance did not impact the Company's results of operations, cash flows or financial condition.

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. The Company adopted this guidance effective March 3, 2014, the first day of the Company's 2015 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 February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* intended to increase transparency and comparability among companies by requiring most leases to be included on the balance sheet and by expanding disclosure requirements. Effective for public business entities for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years (*i.e.*, January 1, 2019, for a calendar year entity). Nonpublic business entities should apply the amendments for fiscal years beginning after December 15, 2019 (*i.e.*, January 1, 2020, for a calendar year entity), and interim periods within fiscal years beginning after December 15, 2020. Early application is permitted for all public business entities and all nonpublic business entities upon issuance. The Company is currently evaluating the impact that this new guidance may have on its consolidated results of operations, cash flows, financial position and disclosures.

In April 2015, the FASB issued ASU No. 2015-03, *Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*, intended to simplify the presentation of debt issuance costs. The guidance requires that debt issuance costs related to a recognized debt liability be presented on the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with the presentation for debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this ASU. In August 2015, the FASB issued ASU No. 2015-15, *Interest - Imputation of Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements - Amendments to SEC Paragraphs Pursuant to Staff Announcements at the June 2015 EITF Meeting*. ASU No. 2015-15 amends Subtopic 835-30 to include that the SEC would not object to the deferral and presentation of debt issuance costs as an asset and subsequent amortization of debt issuance costs over the term of the line-of-credit arrangement, whether or not there are any outstanding borrowings on the line-of-credit arrangement. This guidance is effective for fiscal years (and interim reporting periods within fiscal years) beginning after December 15, 2015. The Company does not expect this guidance to have a material impact on its consolidated results of operations, cash flows, financial position or disclosures.

In May 2014, the FASB issued Accounting Standards Codification (“ASC”) Topic 606, *Revenue from Contracts with Customers*, which supersedes the revenue recognition requirements in ASC Topic 605, *Revenue Recognition*, including most industry-specific revenue recognition guidance throughout the Industry Topics of the Codification. This guidance requires that an entity recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, and expands the related disclosure requirements. The new standard was originally scheduled to be effective for fiscal years beginning after December 15, 2016, including interim reporting periods within those fiscal years. In August 2015, the FASB delayed the effective date of this guidance for one year. With the delay, the new standard is effective for fiscal years beginning after December 15, 2017, and interim periods therein, with an option to adopt the standard on the originally scheduled effective date. The Company is currently evaluating the impact that this new guidance may have on its consolidated results of operations, cash flows, financial position and disclosures.

## 16. Subsequent Event

The Company announced on March 10, 2016 that its Board of Directors has authorized the Company’s purchase, on the open market or in privately negotiated transactions, of up to 1,000,000 additional shares of its common stock, in addition to the unused prior authorization to purchase shares of the Company’s common stock announced on January 8, 2015. As a result, the Company is authorized to purchase up to a total of 1,531,412 shares of its common stock, representing approximately 7.6% of the Company’s 20,234,671 total outstanding shares as of the close of business on May 6, 2016.

**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 2016:</b>				
Net sales	\$37,829	\$37,947	\$34,323	\$35,756
Gross profit	11,367	10,361	10,297	10,727
Net earnings	4,777	4,569	4,109	4,574
Basic net earnings per share	\$0.23	\$0.23	\$0.20	\$0.23
Diluted net earnings per share	\$0.23	\$0.23	\$0.20	\$0.23
Weighted average common shares outstanding:				
Basic	20,546	20,337	20,253	20,251
Diluted	20,565	20,340	20,253	20,251
<b>Fiscal 2015:</b>				
Net sales	\$48,817	\$42,349	\$34,679	\$36,241
Gross profit	16,929	12,171	8,598	11,255
Net earnings	8,216	4,955	2,031	4,841
Basic net earnings per share	\$0.39	\$0.24	\$0.10	\$0.23
Diluted net earnings per share	\$0.39	\$0.24	\$0.10	\$0.23
Weighted average common shares outstanding:				
Basic	20,880	20,925	20,947	20,896
Diluted	20,988	21,029	20,989	20,937

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.

**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 February 28, 2016, 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, the Company's disclosure controls and procedures were 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) 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.

Management assessed the effectiveness of the Company's internal control over financial reporting as of February 28, 2016. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in *Internal Control-Integrated Framework (2013)*. Based on management's assessment and those criteria, management concluded that the Company maintained effective internal control over financial reporting as of February 28, 2016.

The independent registered public accounting firm that audited the Company's 2016 fiscal year 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 as of February 28, 2016. 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  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

The Board of Directors and Shareholders

Park Electrochemical Corp.

We have audited Park Electrochemical Corp. and subsidiaries' internal control over financial reporting as of February 28, 2016, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Park Electrochemical Corp.'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 Park Electrochemical Corp. and subsidiaries' 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 accounting principles generally accepted in the United States of America. 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 accounting principles generally accepted in the United States of America, 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.

In our opinion, Park Electrochemical Corp. and subsidiaries has maintained, in all material respects, effective internal control over financial reporting as of February 28, 2016, based on the criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule of Park Electrochemical Corp. and subsidiaries as of February 28, 2016 and March 1, 2015 and for the years then ended and our report dated May 13, 2016, expressed an unqualified opinion thereon.

/s/ CohnReznick LLP

Jericho, New York

May 13, 2016

(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 2016 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 2016 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 2016 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 2016 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 2016 Annual Meeting of Shareholders to be filed pursuant to Regulation 14A.

**PART IV**

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

**Page**

(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:	
	Reports of Independent Registered Public Accounting Firms	<b>42</b>
	Balance Sheets	<b>44</b>
	Statements of Operations	<b>45</b>
	Statements of Comprehensive Earnings (Loss)	<b>46</b>
	Statements of Shareholders' Equity	<b>47</b>
	Statements of Cash Flows	<b>48</b>
	Notes to Consolidated Financial Statements (1-16)	<b>49</b>
(2)	Financial Statement Schedule:	
	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 13,  
2016

PARK ELECTROCHEMICAL CORP.

By: /s/ Brian E. Shore  
Brian E. Shore,  
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, Chief Executive Officer and Director (principal executive officer)	May 13, 2016
/s/ P. Matthew Farabaugh P. Matthew Farabaugh	Senior Vice President and Chief Financial Officer (principal financial officer)	May 13, 2016
/s/ Robert J. Yaniro Robert J. Yaniro	Vice President and Corporate Controller (principal accounting officer)	May 13, 2016
/s/ Dale Blanchfield Dale Blanchfield	Director	May 13, 2016
/s/ Emily J. Groehl Emily J. Groehl	Director	May 13, 2016

/s/ Carl W. Smith  
Carl W. Smith

Director

May 13, 2016

/s/ Steven T. Warshaw  
Steven T. Warshaw

Director

May 13, 2016

**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 Reductions</b>	<b>Balance at End of Period</b>

**DEFERRED INCOME TAX ASSET VALUATION ALLOWANCE:**

52 weeks ended February 28, 2016	\$11,887,000	\$29,100	\$ -	\$(801,100 )	<b>\$11,115,000</b>
52 weeks ended March 1, 2015	\$11,941,000	\$123,000	\$ -	\$(177,000 )	<b>\$11,887,000</b>
53 weeks ended March 2, 2014	\$12,465,000	\$330,000	\$ -	\$(854,000 )	<b>\$11,941,000</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>Other Accounts Written Off (A)</b>	<b>Translation Adjustment</b>	<b>Balance at End of Period</b>

**ALLOWANCE FOR DOUBTFUL ACCOUNTS:**

52 weeks ended February 28, 2016	\$396,000	\$(2,000 )	\$(70,000)	\$ -	<b>\$324,000</b>
52 weeks ended March 1, 2015	\$416,000	\$(5,000 )	\$(15,000)	\$ -	<b>\$396,000</b>
52 weeks ended March 2, 2014	\$423,000	\$(7,000 )	\$-	\$ -	<b>\$416,000</b>

(A) Uncollectible amounts, net of recoveries



**EXHIBIT INDEX****Exhibit****Description****Numbers**

- 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 By-Laws, as amended July 22, 2014 (Reference is made to Exhibit 3.3 of the Company's Annual Report on Form 10-K for the fiscal year ended March 1, 2015, 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.)
- 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.)
- 10.2(a) Addendum dated June 12, 2000 to Lease dated December 12, 1989 between Nelco Products, Inc. and James Emmi regarding real property located at 1100 East Kimberly Avenue, Anaheim, California

**Exhibit**

**Description**

**Numbers**

- 10.2(b) Letter dated December 30, 2009 from Nelco Products, Inc. to James Emmi of Kimberly Development Co. exercising options to extend two Leases dated December 12, 1989 between Nelco Products, Inc. and James Emmi regarding real properties located at 1100 and 1107 East Kimberly Avenue, Anaheim, California (see Exhibits 10.1 and 10.2 hereto)
- 10.2(c) Letter dated July 14, 2010 from Kimberly Development Corp. to Nelco Products, Inc. granting two additional options to extend two Leases dated December 12, 1989 between Nelco Products, Inc. and James Emmi regarding real properties located at 1100 and 1107 East Kimberly Avenue, Anaheim, California (see Exhibits 10.1 and 10.2 hereto)
- 10.2(d) Letter dated February 10, 2015 from Nelco Products, Inc. to James Emmi of Kimberly Development Co. exercising options to extend two Leases dated December 12, 1989 between Nelco Products, Inc. and James Emmi regarding real properties located at 1100 and 1107 East Kimberly Avenue, Anaheim, California (see Exhibits 10.1 and 10.2 hereto)
- 10.3 Lease Agreement dated August 16, 2003, between Nelco Products, Inc. and TCLW/Fullerton regarding real property located at 1411 E. Orangethorpe Avenue, Fullerton, California
- 10.3(a) Standard Lease Addendum dated April 22, 2015 between Nelco Products, Inc. and TCLW/Fullerton granting extensions of the Lease Agreement dated August 16, 2003 (see Exhibit 10.3 hereto) between Nelco Products, Inc. and TCLW/Fullerton regarding real property located at 14211 E. Orangethorpe Avenue, Fullerton, California
- 10.3(b) First Amendment to Lease dated May 5, 2015 to Lease Agreement dated August 16, 2003 (see Exhibit 10.3 hereto) between Nelco Products, Inc. and TCLW/Fullerton regarding real property located at 1411 E. Orangethorpe Avenue, Fullerton, California

**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.)
- 10.4(b) Offer of Further Term of Lease dated March 23, 2011 between Nelco Products Pte. Ltd. and the Jurong Town Corporation and amendment dated March 24, 2011 offering extension of the Lease 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 (see Exhibit 10.4 hereto) regarding real property located at 4 Gul Crescent, Jurong, Singapore
- 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.)

**Exhibit**

**Description**

**Numbers**

- 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.)
- 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.)
- 10.5(d) Addendum to Lease, dated February 28, 2011 between Neltec, Inc. and NZ Properties, Inc. granting a five year extension and options for an additional three five year extensions of the Lease dated December 12, 1990 (see Exhibit 10.5 hereto) between Neltec, Inc. and NZ Properties, Inc. regarding real property located at 1420 W. 12th Place, Tempe, Arizona
- 10.6 Airport Ground Lease Agreement, dated October 15, 2007 between Park Aerospace Materials, Corp. and The Board of Commissioners of Harvey County, Kansas and the City of Newton, Kansas regarding real property located at the Newton City/County Airport

<b><u>Exhibit</u></b>	<b><u>Description</u></b>
<b><u>Numbers</u></b>	
10.7	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.)
10.8	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.)
10.9	Credit Agreement by and among Park Electrochemical Corp., as Borrower, the Guarantors party thereto, and HSBC Bank USA, National Association, as Lender, dated as of January 15, 2016 and effective as of January 26, 2016, Amendment No. 1 to Credit Agreement dated as of March 11, 2016 and Amendment No. 2 to Credit Agreement dated as of April 5, 2016
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 (CohnReznick LLP)
23.2	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

101

The following materials from the Company's Annual Report on Form 10-K for the year ended February 28, 2016, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets at February 28, 2016 and March 1, 2015, (ii) Consolidated Statements of Operations for the years ended February 28, 2016, March 1, 2015 and March 2, 2014 (iii) Consolidated Statements of Comprehensive Earnings (Loss) for the years ended February 28, 2016, March 1, 2015 and March 2, 2014, (iv) Consolidated Statements of Shareholders' Equity for the years ended February 28, 2016, March 1, 2015 and March 2, 2014, and (iv) Consolidated Statements of Cash Flows for the years ended February 28, 2016, March 1, 2015 and March 2, 2014 \*+

\* 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.

82