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PARK ELECTROCHEMICAL CORP

Form 10-K

May 10, 2007

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K

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

(Mark One)

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

For the fiscal year ended February 25, 2007

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)

11-1734643
(I.R.S. Employer
Identification No.)

48 South Service Road, Melville, New York
(Address of Principal Executive Offices)

11747
(Zip Code)

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

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

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

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes No

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[cover page 1 of 2 pages]

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of 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, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer Accelerated Filer Non-Accelerated File

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.

Title of Class	Aggregate Market Value	As of Close of Business On
Common Stock, par value \$.10 per share	\$ 515,674,858	August 25, 2006

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

Title of Class	Shares Outstanding	As of Close of Business On
Common Stock, par value \$.10 per share	20,197,814	May 4, 2007

DOCUMENTS INCORPORATED BY REFERENCE

Proxy Statement for Annual Meeting of Shareholders to be held July 18, 2007 incorporated by reference into Part III of this Report.

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PART I

ITEM 1. BUSINESS.

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General

Park Electrochemical Corp. ("Park"), through its subsidiaries (unless the context otherwise requires, Park and its subsidiaries are hereinafter called the "Company"), is primarily engaged in the design, development, production, marketing and sale of high-technology digital and RF/microwave printed circuit materials and advanced composite materials principally for the telecommunications and internet infrastructure, high-end computing and 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, China, France, Connecticut, New York, Arizona and California.

The Company's products are marketed and sold under the Nelco(R) and Nelcote(TM) names.

Sales of Park's printed circuit materials were 92% of the Company's total net sales worldwide in the 2007 and 2006 fiscal years, and sales of Park's advanced composite materials were 8% of the Company's total net sales worldwide in the 2007 and 2006 fiscal years.

Park was founded in 1954 by Jerry Shore, who was the Company's Chairman of the Board until July 14, 2004 and who is one of the Company's largest shareholders.

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 17 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, China 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.parkelectro.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.

COREFIX, EF, INNERLAM, LD, NELCO, NELTEC, PARKNELCO, RTFOIL and SI are registered trademarks of Park Electrochemical Corp., and ELECTROVUE, FIBERCOTE, NELCOTE, PEELCOTE and POWERBOND are common law trademarks of Park Electrochemical Corp.

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Printed Circuit Materials

Printed Circuit Materials Operations

The Company is a leading global designer and producer 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. The Company has long-term relationships with its major customers, which include leading independent

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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 and surface mount connectors). Examples of end uses of the Company's digital printed circuit materials include high speed routers and servers, storage area networks, supercomputers, laptops, satellite switching equipment, cellular telephones and transceivers, wireless personal digital assistants ("PDAs") and wireless local area networks ("LANs"). The Company's radio frequency ("RF") printed circuit materials are used primarily for military avionics, antennas for cellular telephone base stations, automotive adaptive cruise control systems and avionic communications equipment. The Company has developed long-term relationships with major customers as a result of its leading edge products, extensive technical and engineering service support and responsive manufacturing capabilities.

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

As a result of its leading edge products, extensive technical and engineering service support and responsive manufacturing capabilities, the Company expects to continue to take advantage of several industry trends. These trends include the increasingly advanced electronic materials required for interconnect performance and manufacturability, the increasing miniaturization and portability of advanced electronic equipment, the consolidation of the printed circuit board fabrication industry and the time-to-market and time-to-volume pressures requiring closer collaboration with materials suppliers.

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 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.

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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

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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 bismalimide triazine ("BT"), cyanate ester, polyimide, 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 laminated together with specialty thin copper foil laminated on the top and bottom. Copper foil is specially formed in thin sheets which may vary from 0.0030 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 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 the vertical plane through the plated holes or vias.

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In the years immediately preceding the severe correction and downturn that occurred in the global electronics industry in the Company's 2002 fiscal year first quarter, the global market for advanced electronic products grew as a result of technological change and frequent new product introductions. This growth was principally attributable to increased sales and more complex electronic content of newer products, such as cellular telephones, pagers, personal computers and portable computing devices and the infrastructure equipment necessary to support the use of these devices, and greater use of electronics in other products, such as automobiles. Further, large, almost completely untapped markets for advanced electronic equipment emerged in such areas as India and China and other areas of the Pacific Rim. During its 2002 fiscal year, the Company established a business center in Wuxi, China, in the Shanghai Nanjing corridor, which has been replaced by a new manufacturing facility in the Zhuhai Free Trade Zone approximately 50 miles west of Hong Kong in Guangdong Province in southern China. The construction of the facility was completed in the first quarter of the Company's 2007 fiscal year, and the Company has installed equipment for the facility and is in the process of

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equipment testing, employee training and internal and external qualifications for the facility. This manufacturing facility is intended to service customers in China.

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 and often portable products. High performance computing devices in these smaller portable platforms require greater reliability, 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 insure the performance of the electronic system and to improve the manufacturability of the interconnect platform. In the years immediately preceding the severe correction and downturn that occurred in the global electronics industry in the Company's 2002 fiscal year first quarter, the growth of the market for more advanced printed circuit materials outpaced the market growth for standard printed circuit materials. 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.

With the very high density circuit demands of miniaturized high performance interconnect systems, the uniformity, purity, consistency, performance predictability, dimensional stability and production tolerances of printed circuit materials have become successively more critical. High density printed circuit boards and interconnect systems often involve higher layer count multilayer circuit boards where the multiple planes of circuitry and dielectric insulating substrates are very thin (dielectric insulating substrate layers may be 0.002 inch or less) and the circuit line and space geometries in the circuitry plane are very narrow (0.002 inch or less). In addition, advanced surface mount interconnect systems are typically designed with very small pad sizes and very narrow plated through holes or vias which electrically connect the multiple layers of circuitry planes. 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.

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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, wireless packages, high speed/low

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loss multilayers and high density interconnects ("HDIs"). 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 electronic 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 include high-speed, low-loss, digital broadband engineered formulations, high-temperature modified epoxies, bismalimide triazine ("BT") epoxies, non-MDA polyimides, enhanced polyimides, SI(R) (Signal Integrity) products, cyanate esters and polytetrafluoroethylene ("PTFE") formulations for radio frequency ("RF")/microwave applications.

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

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

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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.

The Company has located its advanced printed circuit materials manufacturing operations in strategic locations intended to serve specific regional markets. By situating its facilities in close geographical proximity to its customers, the Company is able to rapidly adjust its manufacturing processes to meet customers' new requirements and respond quickly to customers' technical needs. The Company has technical staffs based at each of its manufacturing locations, which allows the rapid dispatch of technical personnel to a customer's facility to assist the customer in quickly solving design, process, production or manufacturing problems. During the 2002 fiscal year, the Company established a business center in Wuxi near Shanghai in central China, which has

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been replaced by a new manufacturing facility in the Zhuhai Free Trade Zone approximately 50 miles west of Hong Kong in southern China to support the growing customer demand for advanced multilayer printed circuit materials in China. The construction of this facility was completed in the first quarter of the Company's 2007 fiscal year, and the Company has installed equipment for the facility and is in the process of equipment testing, employee training and internal and external qualifications for the facility.

Printed Circuit Materials - Customers and End Markets

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

During the Company's 2007 fiscal year, approximately 16.7% of the Company's total worldwide sales were to Sanmina-SCI Corporation, a leading electronics contract manufacturer and manufacturer of printed circuit boards, and approximately 10.7% of the Company's total worldwide sales were to TTM Technologies, Inc., a leading manufacturer of printed circuit boards. During the Company's 2006 fiscal year, approximately 19.4% of the Company's total worldwide sales were to Sanmina-SCI Corporation, approximately 11.7% of the Company's total worldwide sales were to TTM Technologies, Inc., and approximately 10.4% of the Company's total worldwide sales were to Multilayer Technology, Inc., a manufacturer of multilayer printed circuit boards. The

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sales to TTM Technologies, Inc. during the 2007 and 2006 fiscal years included sales to Tyco Printed Circuit Group L.P., a leading manufacturer of printed circuit boards, which was acquired by TTM Technologies, Inc. in the Company's 2007 fiscal year. During the Company's 2007 and 2006 fiscal years, sales to no other customer of the Company equaled or exceeded 10% of the Company's total worldwide sales.

Although the 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 printed circuit materials business.

The Company's printed circuit materials products are marketed primarily by sales personnel and, to a lesser extent, by independent distributors in industrial centers in North America, Europe and Asia. Such personnel include both salaried employees and independent sales representatives who work on a commission basis.

Printed Circuit Materials - Manufacturing

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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 resin system and the partial curing of that resin system; the assembling of laminates consisting of single or multiple plies of prepreg and copper foil in a clean-room environment; the vacuum lamination of the copper-clad assemblies under simultaneous exposure to heat, pressure and vacuum; and the finishing of the laminates to customer specifications.

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

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

The Company manufactures multilayer printed circuit materials at six fully integrated facilities located in the United States, Europe and Southeast Asia. The Company opened its California facility in 1965, its first Arizona and France facilities in 1984, its Singapore facility in 1986 and its second France facility in 1992. The Company services the North America market principally through its United States manufacturing facilities, the European market principally through its manufacturing facilities in France, and the Asian market principally through its Singapore manufacturing facility. During its 2002 fiscal year, the Company established a business center in central China, which has been replaced by a new manufacturing facility in the Zhuhai

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Free Trade Zone approximately 50 miles west of Hong Kong in southern China to supply the growing demand for advanced multilayer printed circuitry materials in China. The construction of this facility was completed in the first quarter of the Company's 2007 fiscal year, and the Company has installed equipment at the facility and is in the process of equipment testing, employee training and internal and external qualifications for the facility. In addition, the Company upgraded its printed circuit materials treating operation in Singapore during the 2007 fiscal year third quarter so that such operation is capable of treating the Company's full line of advanced printed circuit materials in Singapore, except polytetrafluoroethylene ("PTFE") materials. The Company has located its manufacturing facilities in its important markets. 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,

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fiberglass cloth and synthetic reinforcements, and specially formulated resins and chemicals. The Company attempts to develop and maintain close working relationships with suppliers of those 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 each of these materials. However, there are a limited number of qualified suppliers of these materials, substitutes for these materials are not readily available, and, in the recent past, the industry has experienced shortages in the market for certain of these 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 materials could materially adversely affect the business, financial condition 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, financial condition and results of operations if the Company were unable to pass such increases through to its customers. During the first and second quarters of the 2007 fiscal year, the Company incurred significant increases in the cost of copper foil, one of the Company's primary raw materials, and the Company was able to pass a substantial portion of such increases through to its customers in the second, third and fourth quarters of the 2007 fiscal year.

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 the multilayer

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printed circuit materials industry has become more global and that the remaining smaller regional manufacturers are finding it increasingly difficult to remain competitive. 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

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Advanced Composite Materials Operations

The Company also develops and produces engineered composite materials for the aerospace, rocket motor, radio frequency ("RF") and specialty industrial markets.

Advanced Composite Materials - 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 woven fabrics, non-woven goods such as mats or felts, or in some cases unidirectional fibers. Reinforcement materials are constructed of: E-glass (fiberglass), carbon fiber, S2 glass, aramids such as Kevlar(R) ("Kevlar" is a registered trademark of E.I. du Pont de Nemours & Co.) and Twaron(R) ("Twaron" is a registered trademark of Teijin Twaron B.V. LLC), quartz, polyester, and other synthetic materials. Resin formulations are typically highly proprietary, and include various chemical mixtures. The Company produces resin formulations using various epoxies, polyesters, phenolics, bismalimides, cyanate esters, polyimides and other complex matrices. The reinforcement combined with the resin is referred to as a "prepreg", which is an acronym for pre-impregnated material. Advanced composite materials can be broadly categorized as either a thermoset or a thermoplastic. While both material types require the addition of heat and pressure to achieve the molecular cross-linking of the matrices, thermoplastics can be reformed using additional heat and pressure. Once fully cured, thermoset materials can not be further reshaped. The Company believes that the demand for thermoset advanced materials is greater than that for thermoplastics due to the fact that fabrication processes for thermoplastics require much higher temperatures and pressures, and are, therefore, typically more capital intensive than the fabrication processes for thermoset materials.

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

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Composite part fabricators typically design and specify a material specifically to meet the needs of the part's end use and the fabricators' processing methods. Fabricators sometimes work with a supplier to develop the specific resin system and reinforcement combination to match the application. Fabricators' processing may include hand lay-up or more advanced automated lay-up ("ATL") techniques. Automated lay-up processes include automated tape lay-up, 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 in some cases in-situ curing. After the part has been cured, final finishing and trimming, and assembly of the structure is performed by the fabricator.

Advanced Composite Materials - Products

The products manufactured by the Company are primarily thermoset curing prepregs. By analyzing the needs of the markets in which it participates, and working with its customers, the Company has developed proprietary resin formulations to suit the needs of its markets. The complex process of developing

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resin formulations and selecting the proper reinforcement is accomplished through a collaborative effort of the Company's research and development resources working with the customers' technical staff. The Company focuses on developing a thorough understanding of its customers' businesses, product lines, processes and technical challenges. The Company believes that it develops innovative solutions which utilize technologically advanced materials and concepts for its customers.

The Company's advanced composite materials products include prepregs manufactured from proprietary formulations using modified epoxies, phenolics, polyesters, cyanate esters, bismalimides, polyimides combined with woven, non-woven, and unidirectional reinforcements. Reinforcement materials used to produce the Company's products include polyacrylonitrile ("PAN") and pitch based carbons, aramids, E-glass, S2 glass, polyester, quartz and rayon. The Company also sells certain specialty fabrics, such as Raycarb C2, a carbonized rayon fabric produced by Snecma Propulsion Solide and used mainly in the rocket motor industry.

Advanced Composite Materials - Customers and End Markets

The Company's advanced composite materials customers, the majority of which are located in the United States, include manufacturers in the aerospace, rocket motor, electronics, radio frequency ("RF"), marine and specialty industrial markets. The Company's materials are marketed by sales personnel including both salaried employees and independent sales representatives who work on a commission basis.

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

The Company's aerospace customers are fabricators of aircraft composite hardware. The Company's advanced composite materials are used to produce primary and secondary structures, aircraft interiors, and various other aircraft components. The majority of the Company's customers for aerospace materials do not produce hardware for commercial aircraft, but for the general and corporate aviation, kit aircraft and military segments. The majority of the Company's customers for aerospace products are in the United States and Europe.

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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. Customers for these products are primarily in the United States and Europe.

Advanced Composite Materials - Manufacturing

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The Company's manufacturing facility for advanced composite materials is currently located in Waterbury, Connecticut. The Company also produces some products through the use of toll coating services at other locations in North America.

In the 2006 fiscal year, the Company installed an additional large treater at its advanced composite materials facility in Waterbury, Connecticut, which has significantly increased Nelcote's treating capacity. In the third quarter of the 2007 fiscal year, the Company acquired a facility in Singapore which the Company is modifying and expanding for use as a new advanced composites manufacturing plant. In addition, the Company is in the final stages of planning the construction of a new plant in the United States to produce advanced composite materials principally for the aerospace industry.

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

Prepreg is manufactured by the Company using either solvent (solution) coating methods on a treater or by hot melt impregnation. A 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 facility. The Company's laboratories have been approved by several aerospace contractors. After all the processing has been completed, the product is inspected and packaged for shipment to the customer. The Company typically supplies final product to the customer in roll or sheet form.

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Advanced Composite Materials - 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, Kevlar(R), 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, and demand has increased for certain materials, such as carbon fiber during the 2006 and 2005 fiscal years. The supply of certain materials was limited during the 2006 and 2005 fiscal years, but such limitation did not have a material adverse effect on the Company's advanced composite materials business. The Company is working globally to determine acceptable alternatives for several raw materials with limited availability.

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Advanced Composite Materials - Competition

The Company has many competitors in the advanced composite materials business, ranging in size from large, international corporations to small regional producers. Several of the Company's largest competitors are vertically integrated. Some of the Company's competitors may also serve as a supplier to the Company. The Company competes for business on the basis of responsiveness, product performance, innovative new product development, product qualification listing and price.

Backlog

The Company records an item as backlog when it receives a purchase order specifying the number of units to be purchased, the purchase price, specifications and other customary terms and conditions. At April 29, 2007, the unfilled portion of all purchase orders received by the Company and believed by it to be firm was approximately \$9,458,000, compared to \$7,401,000 at April 30, 2006.

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 25, 2007.

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 25, 2007, the Company had approximately 950 employees. Of these employees, 840 were engaged in the Company's printed circuit materials operations, 70 in its advanced composite materials operations and 40 consisted of executive personnel and general administrative staff. None of the Company's employees are subject to a collective bargaining agreement. However, the non-executive employees of the Company's Neltec Europe SAS subsidiary in France are represented by the trade union which represents all non-executive employees in the industrial sector to which Neltec Europe belongs. Management considers its employee relations to be good.

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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 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

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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 nine sites. In addition, a subsidiary of the Company has received cost recovery claims under the Superfund Act from other private parties involving one other site and has received requests from the EPA under the Superfund Act for information with respect to its involvement at three other 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 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. Management believes the ultimate disposition of known environmental matters will not have a material adverse effect upon 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 16 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 and 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.

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

The industries in which the Company operates are very competitive.

Certain of the Company's principal competitors are substantially larger and have greater financial resources than the Company, and the Company's operating results will be affected by its ability to maintain its competitive positions in

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these industries. The printed circuit materials and advanced composite materials industries are intensely competitive and the Company competes worldwide in the markets for such materials.

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 an increase in the price 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 and advanced composite materials products. Substitutes for these materials are not readily available, and in the past there have been shortages in the market for certain of these materials. These shortages could materially increase the Company's cost of operations.

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

A loss of one or more key customers could 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 year ended February 25, 2007, the Company's ten largest customers accounted for approximately 73% 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--Customers and End Markets" in Item 1 of Part I of this Report.

The Company's business is dependent on the electronics industry which is cyclical in nature.

The electronics industry is cyclical and has experienced recurring downturns. The downturns, such as occurred in the electronics industry during the first quarter of the Company's fiscal year ended March 2, 1997 and in the first quarter of the Company's fiscal year ended March 3, 2002, and which continues to a lesser extent at the present time, can be unexpected and have often reduced demand for, and prices of, printed circuit materials and advanced composite materials. This potential reduction in demand and prices could have a negative impact on the Company's business.

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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. 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 faces extensive capital expenditure costs.

The Company's business is capital intensive and, in addition, the introduction

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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 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. Other possible developments, such as the enactment or adoption of additional environmental laws, could result in substantial costs to the Company.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

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ITEM 2. PROPERTIES.

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

Location	Owned or Leased	Use	Size (Square Footage)
Melville, NY	Leased	Administrative Offices	8,000
Newburgh, NY	Leased	Electronic Materials	171,000
Fullerton, CA	Leased	Electronic Materials	95,000
Anaheim, CA	Leased	Electronic Materials	26,000
Tempe, AZ	Leased	Electronic Materials	87,000
Mirebeau, France	Owned	Electronic Materials	81,000
Lannemezan, France	Owned	Electronic Materials	29,000
Singapore	Leased	Electronic Materials	128,000
Zhuhai, China	Leased	Electronic Materials	40,000
Waterbury, CT	Leased	Advanced Composites	100,000
Singapore	Leased	Advanced Composites	24,000

The electronic materials facility in Zhuhai, China has been constructed and equipped but is not yet operating. The advanced composites facility in

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Singapore has been recently acquired by the Company and is currently being renovated and expanded for use by the Company as an advanced composites manufacturing facility.

The Company believes its facilities and equipment to be in good condition and reasonably suited and adequate for its current needs. During the 2007 and 2006 fiscal years, certain of the Company's printed circuit materials manufacturing facilities were utilized at less than 50% of their designed capacity.

ITEM 3. LEGAL PROCEEDINGS.

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

None

EXECUTIVE OFFICERS OF THE REGISTRANT.

Name	Title	Age
Brian E. Shore	Chief Executive Officer, President and a Director	55
James L. Zerby	Vice President and Chief Financial Officer	64
Stephen E. Gilhuley	Executive Vice President, Secretary and General Counsel	62
James W. Kelly	Vice President, Taxes and Planning	50
Anthony W. DiGaudio	Vice President of Marketing and Sales	37
Louis J. Stans	Vice President of Engineering and Quality and Research and Development	60

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

Mr. Zerby was appointed Vice President and Controller of the Company on July 24, 2006, and he was elected Vice President and Chief Financial Officer on October 24, 2006. Prior to joining Park, Mr. Zerby was Chief Financial Officer of Photocircuits Corporation, a manufacturer of printed circuit boards, in Glen Cove, New York from 1991 to March 2006.

Mr. Gilhuley has been General Counsel of the Company since April 1994 and Secretary since July 1996. He was elected a Senior Vice President in March 2001 and Executive Vice President on October 24, 2006.

Mr. Kelly was elected Vice President, Taxes and Planning of Park in March 2001. He had been Director of Taxes of the Company since May 1997.

Mr. DiGaudio joined the Company as a Product Director in May 2002, was promoted to Vice President of Quality in May 2004 and was promoted to Vice

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President of Sales effective June 13, 2005. He was appointed Vice President of Marketing in June 2006 in addition to the position of Vice President of Sales. For several years prior to joining Park, Mr. DiGaudio was Technical Manager for Metro Circuits, Division of PJC Technologies, Inc. in Rochester, New York.

Mr. Stans was appointed Vice President of Engineering of the Company in December 2004, and he was also appointed to the position of Vice President of Quality in October 2005. He was appointed Vice President of Research and Development in January 2007 in addition to the positions of Vice President of Engineering and Vice President of Quality. Prior to joining Park, Mr. Stans had been Director of Technology and Engineering at Photocircuits Corporation, a major printed circuit board manufacturer, since 1990.

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.

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PART II

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

The Company's Common Stock is listed and trades on the New York Stock Exchange (trading symbol PKE). (The Common Stock also trades on the Midwest 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.

For the Fiscal Year Ended February 25, 2007	Stock Price		Dividends Declared
	High	Low	
First Quarter	\$ 36.45	\$ 28.05	\$.08
Second Quarter	34.29	23.05	\$ 1.08 (a)
Third Quarter	33.70	25.40	\$.08
Fourth Quarter	33.50	24.72	\$.08

For the Fiscal Year Ended February 26, 2006	Stock Price		Dividends Declared
	High	Low	
First Quarter	\$ 23.20	\$ 19.07	\$.08
Second Quarter	27.52	22.81	\$.08
Third Quarter	26.98	23.75	\$ 1.08 (b)
Fourth Quarter	29.75	22.63	\$.08

(a) During the 2007 fiscal year second quarter, the Company declared its regular quarterly cash dividend of \$0.08 per share in June 2006, and in July 2006 the Company announced that its Board of Directors had declared a one-time, special cash dividend of \$1.00 per share, payable August 22, 2006 to stockholders of record on August 1, 2006.

(b) During the 2006 fiscal year third quarter, the Company declared its regular quarterly cash dividend of \$0.08 per share in September 2005, and in October 2005 the Company announced that its Board of Directors

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had declared a one-time, special cash dividend of \$1.00 per share, payable December 15, 2005 to stockholders of record on November 15, 2005.

As of May 4, 2007, there were approximately 930 holders of record of Common Stock.

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

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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 2007 fiscal year fourth quarter ended February 25, 2007.

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 27 - December 31	0	-	0	
January 1-28	0	-	0	
January 29 - February 25	0	-	0	
Total	0	-	0	2,000,000 (a)

- (a) Aggregate number of shares available to be purchased by the Company pursuant to a share purchase authorization announced on October 20, 2004. Pursuant to such authorization, the Company is authorized to purchase its shares from time to time on the open market or in privately negotiated transactions.

ITEM 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 25, 2007 and is as of the end of such periods, it is derived from the Consolidated Financial Statements for the three fiscal years ended February 25, 2007 and as of such dates audited by Grant Thornton LLP, independent auditor, and from the Consolidated Financial Statements for the two fiscal years ended February 29, 2004 and as of such dates audited by Ernst & Young LLP, independent auditor. The Consolidated Financial Statements as of February 25, 2007 and February 26, 2006 and for the three years ended February 25, 2007, together with the independent auditor's report for the

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three years ended February 25, 2007, appear in Item 8 of Part II of this Report.

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	Fiscal Year Ended			
	February 25, 2007	February 26, 2006	February 27, 2005	February 29, 2004
	(In thousands, except per share amounts)			
STATEMENTS OF EARNINGS INFORMATION:				
Net sales	\$ 257,377	\$ 222,251	\$ 211,187	\$ 194,236
Cost of sales	193,270	167,650	167,937	161,536
Gross profit	64,107	54,601	43,250	32,700
Selling, general and administrative expenses	26,682	25,129	26,960	27,962
Insurance arrangement termination charge	1,316	-	-	-
Asset impairment charge	-	2,280	-	-
Restructuring and severance charges (Note 11)	-	889	625	8,469
Gain on insurance settlement (Note 12)	-	-	(4,745)	-
Gain on sale of DPI	-	-	-	-
Gain on sale of UK real estate	-	-	-	(429)
Gain on Delco lawsuit	-	-	-	(33,088)
Earnings (loss) from operations	36,109	26,303	20,410	29,786
Interest and other income, net	8,033	6,056	3,386	2,958
Earnings (loss) from continuing operations before income taxes	44,142	32,359	23,796	32,744
Income tax provision (benefit) from continuing operations	4,351	5,484	2,191	2,835
Earnings (loss) from continuing operations	39,791	26,875	21,605	29,909
Loss from discontinued operations, net of taxes (Note 10)	-	-	-	(33,761)
Net earnings (loss)	\$ 39,791	\$ 26,875	\$ 21,605	\$ (3,852)
Basic earnings (loss) per share:				
Earnings (loss) from continuing operations	\$ 1.97	\$ 1.34	\$ 1.09	\$ 1.51
Loss from discontinued operations, net of tax	-	-	-	(1.71)
Basic earnings (loss) per share	\$ 1.97	\$ 1.34	\$ 1.09	\$ (0.20)
Diluted earnings (loss) per share:				
Earnings (loss) from continuing				

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operations	\$	1.96	\$	1.33	\$	1.08	\$	1.50
Loss from discontinued operations, net of tax		-		-		-		(1.69)
		-----		-----		-----		-----
Diluted earnings (loss) per share	\$	1.96	\$	1.33	\$	1.08	\$	(0.19)
		=====		=====		=====		=====
Cash dividends per common share	\$	1.32	\$	1.32	\$	1.26	\$	0.24
		=====		=====		=====		=====
Weighted average number of common shares outstanding:								
Basic		20,175		20,047		19,879		19,754
Diluted		20,317		20,210		20,075		19,991
BALANCE SHEET INFORMATION:								
Working capital	\$	233,767	\$	214,934	\$	206,714	\$	197,453
Total assets		321,922		311,312		307,311		311,070
Long-term debt		-		-		-		-
Stockholders' equity		264,167		245,423		242,857		243,896

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

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

General:

Park is a global advanced materials company which develops, manufactures and markets high technology digital and RF/microwave printed circuit materials and advanced composite materials principally for the telecommunications and internet infrastructure, high-end computing and aerospace markets. The Company's manufacturing facilities are located in Singapore, China, France, Connecticut, New York, Arizona and California. The Company's products are marketed and sold under the Nelco(R) and Nelcote(TM) names.

The global electronics manufacturing industry, which had become extremely and unsustainably overheated in the 1990s and into calendar year 2000, collapsed in calendar year 2001, and has not recovered since that collapse. The Company believes that the industry has become a mature industry, and the Company does not expect significant non-cyclical, sustainable growth from that industry in the future.

The Company's net sales increased in the fiscal year ended February 25, 2007 compared with the fiscal year ended February 26, 2006 as a result of increases in sales of the Company's printed circuit materials in North America and Asia and increases in sales of the Company's advanced composite materials, and the Company achieved higher operating profits and higher net earnings in the 2007 fiscal year compared with the 2006 fiscal year.

The Company's net earnings for the fiscal year ended February 25, 2007 were increased by a tax benefit of \$0.7 million recorded by the Company in the 2007 fiscal year fourth quarter relating to the recognition of tax credits resulting from operating losses sustained in prior years in France and by tax benefits recognized by the Company in the 2007 fiscal year second quarter of \$3.5 million relating to the elimination of certain valuation allowances previously established relating to deferred tax assets in the United States, \$1.4 million relating to the elimination of reserves no longer required as the

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result of the completion of a tax audit and \$0.5 relating to the termination of a life insurance arrangement with Jerry Shore, the Company's founder and former Chairman, President and Chief Executive Officer, and such net earnings were reduced by a pre-tax charge of \$1.3 million recorded by the Company in the 2007 fiscal year second quarter relating to the termination of such insurance arrangement.

The Company's net earnings for the fiscal year ended February 26, 2006 were reduced by a tax charge of \$3.1 million recorded in the fourth quarter in connection with the repatriation of approximately \$70 million of accumulated earnings and profits of the Company's Nelco Products Pte. Ltd. subsidiary in Singapore, a pre-tax asset impairment charge of \$2.3 million recorded in the fourth quarter for the write-off of construction costs related to the installation of a treater at the Company's Neltec Europe SAS facility in Mirebeau, France and a pre-tax employment termination benefits charge of \$0.9 million related to a workforce reduction at the Company's Neltec Europe SAS facility recorded in the 2006 fiscal year first quarter, and such net earnings were increased by a tax benefit of \$1.5 million recognized by the Company in the 2006 fiscal year third quarter relating to the elimination of valuation allowances against deferred tax assets recorded in the United States in prior periods.

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The improvement in the Company's operating performance during the 2007 fiscal year was attributable principally to increases in total sales of the Company's printed circuit materials products and higher percentages of sales of higher margin, high performance printed circuit materials products. This improvement occurred in spite of significant increases in the cost of copper foil, one of the Company's primary raw materials, during the first and second quarters of the 2007 fiscal year, as the Company was able to pass a substantial portion of such increases through to its customers in the second, third and fourth quarters of the 2007 fiscal year.

The condition of the global markets for the Company's printed circuit materials products improved in the second half of the 2006 fiscal year; and that improvement continued in the first nine months of the 2007 fiscal year, although such markets weakened in the 2007 fiscal year fourth quarter. Consequently, sales of the Company's printed circuit materials products increased in the 2007 fiscal year compared to the 2006 fiscal year. However, the weakness that occurred in the markets for the Company's printed circuit materials products in the 2007 fiscal year fourth quarter has continued into the 2008 fiscal year first quarter. The markets for the Company's advanced composite materials products continued to be strong during the 2007 fiscal year, and sales of the Company's advanced composite materials products increased in the 2007 fiscal year compared to the prior fiscal year.

The global markets for the Company's printed circuit materials continue to be very difficult to forecast, and it is not clear to the Company what the condition of the global markets for the Company's printed circuit materials will be in the 2008 fiscal year. The Company believes that the markets for its advanced composite materials will continue to be strong during the 2008 fiscal year.

In the first quarter of the 2007 fiscal year, the Company completed the construction of a new manufacturing facility in the Zhuhai Free Trade Zone in Guangdong Province in southern China to support the demand for advanced printed circuit materials in China, and the Company is in the process of equipment testing, employee training and internal and external qualifications for the facility. In addition, the Company upgraded its printed circuit materials

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treating operation in Singapore during the 2007 fiscal year third quarter so that such operation is capable of treating the Company's full line of advanced printed circuit materials in Singapore, except polytetrafluoroethylene ("PTFE") materials, and during the 2005 fiscal year, the Company installed one of its latest generation, high-technology treaters in its newly expanded facility in Singapore.

In the third quarter of the 2007 fiscal year, the Company acquired a facility in Singapore which the Company is modifying and expanding for use as a new advanced composites manufacturing plant. The Company is also in the final stages of planning the construction of a new plant in the United States to produce advanced composite materials principally for the aerospace industry. In addition, during the 2006 fiscal year second quarter, the Company completed the installation of an additional large treater at its advanced composite materials facility in Waterbury, Connecticut, which has significantly increased the treating capacity of that facility.

While the Company continued to expand and invest in its business during the 2007 and 2006 fiscal years, it made additional adjustments to one of its operations, which resulted in a workforce reduction. In the 2006 fiscal year first and second quarters, the Company reduced the size of the workforce at

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its Neltec Europe SAS subsidiary in Mirebeau, France as a result of further deterioration of the European market for high-technology printed circuit materials, and it recorded an employment termination benefits charge of \$1.1 million during the 2006 fiscal year first quarter, \$0.2 million of which was reversed in the 2006 fiscal year fourth quarter. In addition, during the 2005 fiscal year, the Company reduced the sizes of the workforces at its North American and European printed circuit materials operations, as a result of which the Company recorded pre-tax charges of \$0.6 million in the 2005 fiscal year third quarter.

In the 2005 fiscal year third quarter, the Company also settled an insurance claim for property and business interruption losses sustained by the Company in Singapore as a result of an explosion in one of the four treaters located at its Nelco manufacturing facility in Singapore and recorded a pre-tax gain of \$4.7 million as a result of the settlement.

The Company believes that an evaluation of its ongoing operations would be difficult if the disclosure of its financial results were limited to generally accepted accounting principles ("GAAP") financial measures, which include special items, such as the tax benefits, the earnings repatriation tax charge, the asset impairment charge, the insurance arrangement termination charge and the employment termination benefits charge in the 2007 and 2006 fiscal years. Accordingly, in addition to disclosing its financial results determined in accordance with GAAP, the Company discloses non-GAAP operating results that exclude special items in order to assist its shareholders and other readers in assessing the Company's operating performance, since the Company's on-going, normal business operations do not include such special items. Such non-GAAP financial measures are provided to supplement the results provided in accordance with GAAP.

Fiscal Year 2007 Compared with Fiscal Year 2006:

The Company's sales of both its printed circuit materials and its advanced composite materials increased in the fiscal year ended February 25, 2007 compared to the fiscal year ended February 26, 2006, following increases in such sales in the 2006 fiscal year compared to the 2005 fiscal year.

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The increased sales in the 2007 fiscal year and a slight improvement in the Company's gross profit margin in the 2007 fiscal year, following substantial improvements in the 2006 fiscal year compared to the 2005 fiscal year and in the 2005 fiscal year compared to the 2004 fiscal year, enabled the Company's operations to generate a larger gross profit than in the prior fiscal year.

The Company's gross profit in the 2007 fiscal year was substantially higher than the gross profit in the prior fiscal year primarily as a result of increased total sales of printed circuit materials products and higher percentages of sales by the Company of its higher margin, high performance printed circuit materials products.

Sales of the Company's advanced composite materials products also increased during the 2007 fiscal year primarily as a result of the strength of the aerospace markets for advanced composite materials. Sales of advanced composite materials were 8% of the Company's total net sales worldwide in the 2007 and 2006 fiscal years.

The Company's financial results of operations were enhanced by the tax benefit of \$0.7 million recorded by the Company in the 2007 fiscal year fourth quarter for the recognition of tax credits resulting from operating losses sustained in prior years in France and by the tax benefits recorded in

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the 2007 fiscal year second quarter of \$3.5 million relating to the elimination of certain valuation allowances previously established related to deferred tax assets in the United States, \$1.4 million relating to the elimination of reserves no longer required as the result of the completion of a tax audit and \$0.5 million relating to the termination of a life insurance agreement with Jerry Shore, the Company's founder and former Chairman, President and Chief Executive Officer, which benefits were partially offset by a pre-tax charge of \$1.3 million in the second quarter relating to the termination of the insurance agreement with Jerry Shore.

Results of Operations

Net sales for the fiscal year ended February 25, 2007 increased 16% to \$257.4 million from \$222.3 million for the fiscal year ended February 26, 2006. The increase in net sales was the result of increased sales by the Company's operations in North America and Asia and increased sales of the Company's high technology printed circuit materials and advanced composite materials.

The Company's foreign operations accounted for \$117.0 million of sales, or 45% of the Company's total net sales worldwide, during the 2007 fiscal year, compared with \$97.9 million of sales, or 44% of total net sales worldwide, during the 2006 fiscal year and 45% of total net sales worldwide during the 2005 fiscal year. Sales by the Company's foreign operations during the 2007 fiscal year increased 20% from the 2006 fiscal year primarily as a result of increases in sales by the Company's operations in Singapore.

For the fiscal year ended February 25, 2007, the Company's sales in North America, Asia and Europe were 55%, 32% and 13%, respectively, of the Company's total net sales worldwide compared with 56%, 29% and 15% for the fiscal year ended February 26, 2006. The Company's sales in Asia increased 29%, its sales in North America increased 13% and its sales in Europe increased 1% in the 2007 fiscal year over the 2006 fiscal year.

The overall gross profit as a percentage of net sales for the Company's

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worldwide operations improved to 24.9% during the 2007 fiscal year compared with 24.6% during the 2006 fiscal year. The improvement in the gross profit margin was attributable to increased sales and higher percentages of sales of higher margin, high performance printed circuit materials.

During the fiscal year ended February 25, 2007, the Company's total net sales worldwide of high temperature printed circuit materials, which included high performance materials (non-FR4 printed circuit materials), were 97% of the Company's total net sales worldwide of printed circuit materials, compared with 96% for last fiscal year.

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

During the fiscal year ended February 25, 2007, the Company's total net sales worldwide of high performance printed circuit materials (non-FR4 printed circuit materials) were 42% of the Company's total net sales worldwide of printed circuit materials, compared with 39% for last fiscal year.

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The Company's cost of sales increased by 15% in the 2007 fiscal year from the 2006 fiscal year as a result of higher sales and higher production volumes in the 2007 fiscal year than in the 2006 fiscal year and as a result of significant increases in the cost of copper foil, although a substantial portion of the increases in the cost of copper foil was passed on to customers. However, the Company's cost of sales as a percentage of net sales decreased slightly in the 2007 fiscal year compared to the prior year resulting in a slight gross profit percentage improvement, which was attributable to cost containment measures implemented by the Company, including workforce reductions.

Selling, general and administrative expenses increased by \$1.6 million, or by 6%, during the 2007 fiscal year compared with the 2006 fiscal year as a result of higher sales in the 2007 fiscal year, but these expenses, measured as a percentage of sales, were 10.4% during the 2007 fiscal year compared with 11.3% during the 2006 fiscal year. Selling, general and administrative expenses included \$1.3 million for the 2007 fiscal year for stock option expenses, which the Company recorded pursuant to Statement of Financial Accounting Standards 123(R). No such stock option expenses were recorded in the 2006 and 2005 fiscal years, prior to the adoption of Statement of Financial Accounting Standards 123(R).

In the 2007 fiscal year fourth quarter, the Company recorded a tax benefit of \$0.7 million relating to the recognition of tax credits resulting from operating losses sustained in prior years in France. In the 2007 fiscal year second quarter, the Company recorded a pre-tax charge of \$1.3 million in connection with the termination of a life insurance arrangement with Jerry Shore, the Company's founder and former Chairman, President and Chief Executive Officer, and recognized a tax benefit of \$0.5 million relating to this insurance termination charge. The termination of the insurance arrangement involved a payment of \$1.3 million by the Company to Mr. Shore in January 2007, which resulted in a net cash cost to the Company of \$0.7 million, after the Company's receipt of a portion of the cash surrender value of the insurance policies. During the 2007 fiscal year second quarter, the Company also recognized a tax benefit of \$3.5 million relating to the elimination of certain valuation

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allowances previously established relating to deferred tax assets in the United States and a tax benefit of \$1.4 million relating to the elimination of reserves no longer required as the result of the completion of a tax audit.

In the 2006 fiscal year fourth quarter, the Company recorded a tax charge of \$3.1 million in connection with the repatriation of approximately \$70 million of accumulated earnings and profits of its subsidiary in Singapore, a benefit of \$0.2 million resulting from the reversal of a portion of the \$1.1 charge in the 2006 fiscal year first quarter for employment termination benefits relating to a workforce reduction at the Company's Neltec Europe SAS facility in France and an asset impairment charge of \$2.3 million for the write-off of construction costs related to the installation of an advanced high-speed treater at the Company's Neltec Europe SAS facility in Mirebeau, France. The treater, which was installed at the Neltec Europe facility when the business environment in Europe was more suited for such a treater, has been moved to the Company's manufacturing facility in Singapore. In the 2006 fiscal year third quarter, the Company recognized a tax benefit of \$1.5 million relating to the elimination of certain valuation allowances previously established related to deferred tax assets in the United States in prior periods; and in the 2006 fiscal year first quarter, the Company recorded a charge of \$1.1 million, for which there was no tax benefit, for employment termination benefits resulting from a workforce reduction at its Neltec Europe SAS facility in France, which was partially offset by a reversal of \$0.2 million in the 2006 fiscal year fourth quarter.

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For the reasons set forth above, the Company's earnings from operations for the 2007 fiscal year, including the charge described above relating to the termination of the life insurance arrangement, were \$36.1 million compared to earnings from operations for the 2006 fiscal year, including the net charge described above for employment termination benefits resulting from a workforce reduction in France and the asset impairment charge described above for the write-off of construction costs related to the installation of a treater in France, were \$26.3 million. The net impacts of the charges described above were to decrease earnings from operations by \$1.3 million for the 2007 fiscal year and to decrease earnings from operations by \$3.2 million for the 2006 fiscal year.

Interest and other income, net, principally investment income, increased 33% to \$8.0 million for the 2007 fiscal year from \$6.1 million for the 2006 fiscal year. The increase in investment income was attributable to higher prevailing interest rates and larger amounts of cash available for investment during the 2007 fiscal year. The Company's investments were primarily in short-term taxable instruments. The Company incurred no interest expense during the 2007, 2006 or 2005 fiscal years. See "Liquidity and Capital Resources" elsewhere in this Item 7.

The Company's effective income tax rate was 9.9% for the 2007 fiscal year compared to 17.0% for the 2006 fiscal year. The Company's effective income tax rate for continuing operations, excluding the tax benefits and the charges described above, for the 2007 fiscal year was 23.0% compared to 11.0% for the 2006 fiscal year.

The Company's net earnings for the 2007 fiscal year, including the tax benefits described above relating to the recognition of tax credits in France, the termination of the life insurance arrangement, the elimination of certain valuation allowances and the elimination of reserves no longer required and the charge described above relating to the termination of the life insurance arrangement, were \$39.8 million compared to net earnings for the 2006 fiscal year, including the tax charge described above in connection with the

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repatriation of foreign earnings, the asset impairment and net employment termination benefits charges described above and the tax benefit described above related to the elimination of valuation allowances, were \$26.9 million. The net impacts of the charges and tax benefits described above were to increase net earnings by \$4.8 million for the 2007 fiscal year and to decrease net earnings by \$4.8 million for the 2006 fiscal year.

Basic and diluted earnings per share, including the charge and tax benefits described above, were \$1.97 and \$1.96 per share, respectively, for the 2007 fiscal year compared to basic and diluted earnings per share of \$1.34 and \$1.33 per share, respectively, including the charges and tax benefit described above, for the 2006 fiscal year. The net impacts of the charges and tax benefits described above were to increase the basic and diluted earnings per share by \$0.24 for the 2007 fiscal year and to decrease the basic and diluted earnings per share by \$0.24 for the 2006 fiscal year.

Fiscal Year 2006 Compared with Fiscal Year 2005:

The Company's sales of both its printed circuit materials and its advanced composite materials increased in the fiscal year ended February 26, 2006 compared to the fiscal year ended February 27, 2005, following increases in such sales in the 2005 fiscal year compared to the 2004 fiscal year.

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The increased sales in the 2006 fiscal year and a further improvement in the Company's gross profit margin in the 2006 fiscal year, following a substantial improvement in the 2005 fiscal year compared to the 2004 fiscal year, enabled the Company's operations to generate a larger gross profit than in the prior fiscal year.

The Company's gross profit in the 2006 fiscal year was substantially higher than the gross profit in the prior fiscal year as a result of increased sales, the Company's reductions of its costs and expenses and higher percentages of sales by the Company of its higher margin, high technology printed circuit materials and advanced composite materials. These improvements in gross profits occurred despite the operating inefficiencies resulting from operating certain facilities at levels below their designed manufacturing capacities and the competitive pressures that existed in the 2005 fiscal year and persisted in the 2006 year.

The Company's financial results of operations were adversely affected by the pre-tax asset impairment charge of \$2.3 million that the Company recorded in the 2006 fiscal year fourth quarter for the write-off of construction costs related to the installation of a treater at the Company's Neltec Europe SAS facility in Mirebeau, France in a prior year, the tax charge of \$3.1 million that the Company recorded in the 2006 fiscal year fourth quarter in connection with the repatriation of approximately \$70 million of accumulated earnings and profits of its Nelco subsidiary in Singapore and the pre-tax charge of \$1.1 million that the Company recorded in the 2006 fiscal year first quarter for employment termination benefits resulting from a workforce reduction at its Neltec Europe SAS printed circuit materials facility in Mirebeau, France, which were only partially offset by the reversal in the 2006 fiscal year fourth quarter of \$0.2 million of the previous charge for employment termination benefits at Neltec Europe SAS and by the tax benefit of \$1.5 million that the Company recognized in the 2006 fiscal year third quarter related to the reversal of valuation allowances against deferred tax assets previously recorded in the United States.

Sales of the Company's advanced composite materials increased during

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the 2006 fiscal year primarily as a result of the strength of the aerospace markets for advanced composite materials. Sales of advanced composite materials were 8% of the Company's total net sales worldwide in the 2006 and 2005 fiscal years.

Results of Operations

Net sales for the fiscal year ended February 26, 2006 increased 5% to \$222.3 million from \$211.2 million for the fiscal year ended February 27, 2005. The increase in net sales was the result of increased sales by the Company's operations in all regions and increased sales of the Company's high technology printed circuit materials and advanced composite materials.

The Company's foreign operations accounted for \$97.9 million of sales, or 44% of the Company's total net sales worldwide, during the 2006 fiscal year, compared with \$94.1 million of sales, or 45% of total net sales worldwide, during the 2005 fiscal year and 45% and 40%, respectively, of total net sales worldwide from continuing operations during the 2004 and 2003 fiscal years. Sales by the Company's foreign operations during the 2006 fiscal year increased 4% from the 2005 fiscal year primarily as a result of increases in sales by the Company's operations in Singapore.

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For the fiscal year ended February 26, 2006, the Company's sales in North America, Asia and Europe were 56%, 29% and 15%, respectively, of the Company's total net sales worldwide compared with 55%, 29% and 16% for the fiscal year ended February 27, 2005. The Company's sales in North America increased 6%, its sales in Asia increased 6% and its sales in Europe increased 1% in the 2006 fiscal year over the 2005 fiscal year.

The overall gross profit as a percentage of net sales for the Company's worldwide operations improved to 24.6% during the 2006 fiscal year compared with 20.5% during the 2005 fiscal year. The improvement in the gross profit margin was attributable to increased sales, reduced operating costs resulting from the work force reduction at the Company's volume printed circuit materials operation in France in the 2006 fiscal year and the realignments of the Company's North American volume printed circuit materials operations in the 2005 and 2004 fiscal years and higher percentages of sales of higher margin, high temperature printed circuit materials.

During the fiscal year ended February 26, 2006, the Company's total net sales worldwide of high temperature printed circuit materials, which included high performance materials (non-FR4 printed circuit materials), were 96% of the Company's total net sales worldwide of printed circuit materials, compared with 94% for last fiscal year.

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

During the fiscal year ended February 26, 2006, the Company's total net sales worldwide of high performance printed circuit materials (non-FR4 printed circuit materials) were 39% of the Company's total net sales worldwide of printed circuit materials, compared with 35% for last fiscal year.

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The Company's cost of sales decreased slightly in the 2006 fiscal year compared to the prior fiscal year despite higher production volumes compared to the prior fiscal year, as a result of cost reduction measures implemented by the Company, including workforce reductions and the reduction of overtime.

Selling, general and administrative expenses decreased during the 2006 fiscal year compared with the 2005 fiscal year, as these expenses, measured as a percentage of sales, were 11.3% during the 2006 fiscal year compared with 12.8% during the 2005 fiscal year. The decrease in selling, general and administrative expenses in the 2006 fiscal year resulted from decreases in almost all categories of expenses.

In the 2006 fiscal year fourth quarter, the Company recorded a tax charge of \$3.1 million in connection with the repatriation of approximately \$70 million of accumulated earnings and profits of its subsidiary in Singapore, a pre-tax benefit of \$0.2 million resulting from the reversal of a portion of the \$1.1 pre-tax charge in the 2006 fiscal year first quarter for employment termination benefits relating to a workforce reduction at the Company's Neltec Europe SAS facility in France and an asset impairment charge of \$2.3 million for the write-off of construction costs related to the installation of an advanced high-speed treater at the Company's Neltec Europe

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SAS facility in Mirebeau, France. The treater, which was installed at the Neltec Europe facility when the business environment in Europe was more suited for such a treater, has been moved to the Company's manufacturing facility in Singapore. In the 2006 fiscal year third quarter, the Company recognized a tax benefit of \$1.5 million relating to the elimination of certain valuation allowances previously established related to deferred tax assets in the United States in prior periods; and in the 2006 fiscal year first quarter, the Company recorded a charge of \$1.1 million, for which there was no tax benefit, for employment termination benefits resulting from a workforce reduction at its Neltec Europe SAS facility in France, which was partially offset by a reversal of \$0.2 million in the 2006 fiscal year fourth quarter.

In the 2005 fiscal year third quarter, the Company recorded a gain of \$4.7 million resulting from the settlement of an insurance claim for property and business interruption losses sustained by the Company in Singapore as a result of an explosion in November 2002 in one of the four treaters located at its manufacturing facility in Singapore. In the same quarter, the Company also recorded a charge of \$0.6 million for employment termination benefits resulting from workforce reductions at the Company's North American and European volume printed circuit materials operations.

For the reasons set forth above, the Company's earnings from operations for the 2006 fiscal year, including the net charge described above for employment termination benefits resulting from a workforce reduction in France and the asset impairment charge described above for the write-off of construction costs related to the installation of a treater in France, were \$26.3 million compared with earnings from operations for the 2005 fiscal year of \$20.4 million, including the gain described above resulting from the settlement of an insurance claim for property and business interruption losses sustained by the Company in Singapore and the charge described above for employment termination benefits resulting from workforce reductions at the Company's North America and European volume printed circuit materials operations. The net impacts of the charges and gain described above were to decrease earnings from operations by \$3.2 million for the 2006 fiscal year and to increase earnings from operations by \$4.1 million for the 2005 fiscal year.

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Interest and other income, net, principally investment income, increased 79% to \$6.1 million for the 2006 fiscal year from \$3.4 million for the 2005 fiscal year. The increase in investment income was attributable to higher prevailing interest rates and larger amounts of cash available for investment during the 2006 fiscal year. The Company's investments were primarily in short-term taxable instruments. The Company incurred no interest expense during the 2006, 2005 or 2004 fiscal years. See "Liquidity and Capital Resources" elsewhere in this Item 7.

The Company's effective income tax rate was 17.0% for the 2006 fiscal year compared to 9.2% for the 2005 fiscal year. The Company's effective income tax rate, excluding the gains and the charges described above, for the 2006 fiscal year was 11.0% compared to 8.0% for the 2005 fiscal year.

The Company's net earnings for the 2006 fiscal year, including the asset impairment charge and employment termination benefits charge described above and the tax charge described above in connection with the repatriation of foreign earnings and the tax benefit described above related to the

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reversal of valuation allowances, were \$26.9 million compared with net earnings for the 2005 fiscal year of \$21.6 million, including the gain described above resulting from the insurance settlement and the charge described above for employment termination benefits resulting from workforce reductions. The net impacts of the charges, tax benefit and gain described above were to decrease net earnings by \$4.8 million for the 2006 fiscal year and to increase net earnings by \$3.5 million for the 2005 fiscal year.

Basic and diluted earnings per share, including the charge and tax benefits described above, were \$1.34 and \$1.33 per share, respectively, for the 2006 fiscal year compared to basic and diluted earnings per share of \$1.09 and \$1.08 per share, respectively, including the gain and charge described above, for the 2005 fiscal year. The net impacts of the charges, tax benefit and gain described above were to decrease the basic and diluted earnings per share by \$0.24 for the 2006 fiscal year and to increase the basic and diluted earnings per share by \$0.18 for the 2005 fiscal year.

Liquidity and Capital Resources:

At February 25, 2007, the Company's cash and temporary investments (consisting of marketable securities) were \$208.8 million compared with \$199.7 million at February 26, 2006, the end of the Company's 2006 fiscal year. The Company's working capital (which includes cash and temporary investments) was \$233.8 million at February 25, 2007 compared with \$214.9 million at February 26, 2006. The increase in working capital at February 25, 2007 compared with February 26, 2006 was due principally to higher cash and temporary investments and higher accounts receivable and lower accrued liabilities and lower income taxes payable. The increase in cash and temporary investments at February 25, 2007 compared with February 26, 2006 was the result of cash provided by operating activities and higher interest and other income. Accounts receivable increased 10% at February 25, 2007 compared to February 26, 2006 primarily as a result of higher sales volumes. The 11% decrease in accrued liabilities at February 27, 2007 compared to February 26, 2006 was primarily attributable to lower liabilities for the restoration of a leased facility and for audit, legal and tax services. Income taxes payable declined 45% primarily as a result of tax payments made during the 2007 fiscal year.

The Company's current ratio (the ratio of current assets to current liabilities) was 8.2 to 1 at February 25, 2007 compared with 6.6 to 1 at

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February 26, 2006.

During the 2007 fiscal year, net earnings from the Company's operations, before depreciation and amortization, of \$48.8 million and a net increase in working capital items, resulted in \$35.8 million of cash provided by operating activities. This increase in cash provided by operating activities was partially offset by \$26.6 million of dividends paid during the year, including a special cash dividend of \$20.1 million paid during the 2007 fiscal year second quarter. Cash dividends paid were \$26.5 million, including a special cash dividend of \$20.1 million, during the 2006 fiscal year, and \$25.1 million, including a special cash dividend of \$19.9 million, during the 2005 fiscal year. Net earnings excluding \$9.6 million of depreciation and amortization were \$36.5 million in the 2006 fiscal year and resulted in \$36.9 million of cash provided by operating activities.

Net expenditures for property, plant and equipment were \$3.9 million, \$4.2 million, \$3.3 million in the 2007, 2006 and 2005 fiscal years, respectively.

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The Company resolved with Royal Sun & Alliance Insurance (Singapore) Limited the Company's property damage and business interruption insurance claim resulting from the explosion in a treater at the Company's subsidiary in Singapore on November 27, 2002, and the Company received \$5.8 million in cash and recorded a \$4.7 million pre-tax gain in the 2005 fiscal year third quarter as a result of such resolution. The Company has initiated a lawsuit against CNA Insurance Co. to resolve the Company's claim for business interruption damages in the United States resulting from the explosion.

At February 25, 2007 and February 26, 2006, the Company had no long-term debt.

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

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

The Company's contractual obligations and other commercial commitments to make future payments under contracts, such as lease agreements, consist only of the operating lease commitments described in Note 15 of the Notes to Consolidated Financial Statements included elsewhere in this Report. The Company has no long-term debt, capital lease obligations, unconditional purchase obligations or other long-term obligations, standby letters of credit, guarantees, standby repurchase obligations or other commercial commitments or contingent commitments, other than two standby letters of credit in the total amount of \$1.7 million to secure the Company's obligations under its workers' compensation insurance program and certain limited energy purchase contracts intended to protect the Company from increased utilities costs.

As of February 25, 2007, the Company's significant contractual obligations, including payments due by fiscal year, were as follows:

Contractual Obligations
(Amounts in thousands)

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	Total	2008	2009-2010	2011-2012	2013 and thereafter
	-----	-----	-----	-----	-----
Operating lease obligations	\$ 11,183	\$ 2,029	\$ 3,836	\$ 2,777	\$ 2,541
Purchase obligations	-	-	-	-	-
Total	\$ 11,183	\$ 2,029	\$ 3,836	\$ 2,777	\$ 2,541

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.

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Environmental Matters:

The Company is subject to various federal, state and local 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 the 2007, 2006 and 2005 fiscal years, the Company charged approximately \$0.0 million, \$(0.6) million, \$0.0 million, respectively, against pre-tax income for remedial response and voluntary cleanup costs (including legal fees). While annual expenditures 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 25, 2007, the amount recorded in liabilities from discontinued operations for environmental matters related to Dielektra was \$2.1 million and the amount recorded in accrued liabilities for other environmental matters was \$1.8 million compared with \$2.1 million of liabilities for environmental matters for Dielektra and \$1.8 million for other environmental matters at February 26, 2006.

Management does not expect that environmental matters will have a material adverse effect on the liquidity, capital resources, business or consolidated financial position of the Company. See Note 16 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

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environmental matters.

Critical Accounting Policies and Estimates:

In response to financial reporting release, FR-60, "Cautionary Advice Regarding Disclosure About Critical Accounting Policies", issued by the Securities and Exchange Commission in December 2001, 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

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expenses and the related disclosure of contingent liabilities. On an on-going basis, the Company evaluates its estimates, including those related to sales allowances, accounts receivable, allowances for bad debts, inventories, valuation of long-lived assets, income taxes, restructurings, contingencies and litigation, and pensions and other 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

Sales revenue is recognized at the time title to product is transferred to a customer. All material sales transactions are for the shipment of manufactured prepreg and laminate products and advanced composite materials. The Company ships its products to customers based upon firm orders, with fixed selling prices, when collection is reasonably assured.

Sales Allowances

The Company provides for the estimated costs of sales allowances at the time such costs can be reasonably estimated. The Company's products are made to customer specifications and tested for adherence to such specifications before shipment to customers. There are no f