

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended May 28, 2017

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 or Organization)

11-1734643

(I.R.S. Employer
Identification No.)

48 South Service Road, Melville, N.Y.

(Address of Principal Executive Offices)

11747

(Zip Code)

(631) 465-3600

(Registrant's Telephone Number, Including Area Code)

Not Applicable

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. []

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 20,234,946 as of July 5, 2017.

PARK ELECTROCHEMICAL CORP. AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

Item I. Financial Statements.

PARK ELECTROCHEMICAL CORP. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS
(Amounts in thousands)

	May 28, 2017 (unaudited)	February 26, 2017*
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 47,313	\$ 102,438
Marketable securities (Note 3)	190,487	136,152
Accounts receivable, less allowance for doubtful accounts of \$290 and \$294, respectively	17,705	17,238
Inventories (Note 4)	10,908	11,105
Prepaid expenses and other current assets	2,532	2,197
Total current assets	268,945	269,130
Property, plant and equipment, net	17,947	18,638
Goodwill and other intangible assets	9,825	9,825
Restricted cash (Note 5)	10,000	10,000
Other assets	989	985
Total assets	\$ 307,706	\$ 308,578
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt (Note 5)	\$ 3,500	\$ 3,500
Accounts payable	3,619	4,183
Accrued liabilities	5,250	3,417
Income taxes payable	2,894	3,023
Total current liabilities	15,263	14,123
Long-term debt (Note 5)	67,750	68,500
Deferred income taxes (Note 9)	42,088	42,088
Other liabilities	353	1,041
Total liabilities	125,454	125,752
Commitments and contingencies (Note 11)		
Shareholders' equity (Note 8):		
Common stock	2,096	2,096
Additional paid-in capital	167,851	167,612
Retained earnings	26,483	27,112
Accumulated other comprehensive earnings	836	1,026
	197,266	197,846
Less treasury stock, at cost	(15,014)	(15,020)
Total shareholders' equity	182,252	182,826
Total liabilities and shareholders' equity	\$ 307,706	\$ 308,578

*The balance sheet at February 26, 2017 has been derived from the audited financial statements at that date.

See Notes to Consolidated Financial Statements (Unaudited).

PARK ELECTROCHEMICAL CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(Amounts in thousands, except per share amounts)

	13 Weeks Ended (Unaudited)	
	May 28, 2017	May 29, 2016
Net sales	\$ 27,417	\$ 31,490
Cost of sales	21,095	22,703
Gross profit	6,322	8,787
Selling, general and administrative expenses	4,727	5,337
Restructuring charges (Note 6)	1,361	70
Earnings from operations	234	3,380
Interest expense (Note 5)	510	333
Interest and other income	749	378
Earnings before income taxes	473	3,425
Income tax (benefit)/provision (Note 9)	(921)	475
Net earnings	\$ 1,394	\$ 2,950
 Earnings per share (Note 7):		
Basic earnings per share	\$ 0.07	\$ 0.15
Basic weighted average shares	20,235	20,235
Diluted earnings per share	\$ 0.07	\$ 0.15
Diluted weighted average shares	20,244	20,235
Dividends declared per share	\$ 0.10	\$ 0.10

See Notes to Consolidated Financial Statements (Unaudited).

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

	13 Weeks Ended (Unaudited)	
	May 28, 2017	May 29, 2016
Net earnings	\$ 1,394	\$ 2,950
Other comprehensive earnings (loss), net of tax:		
Foreign currency translation	(31)	(21)
Unrealized gains on marketable securities:		
Unrealized holding gains arising during the period	3	80
Less: reclassification adjustment for gains included in net earnings	(69)	(148)
Unrealized losses on marketable securities:		
Unrealized holding losses arising during the period	(117)	(13)
Less: reclassification adjustment for losses included in net earnings	24	17
Other comprehensive loss	(190)	(85)
Total comprehensive earnings	\$ 1,204	\$ 2,865

See Notes to Consolidated Financial Statements (Unaudited).

PARK ELECTROCHEMICAL CORP. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in thousands)

	13 Weeks Ended (Unaudited)	
	May 28, 2017	May 29, 2016
Cash flows from operating activities:		
Net earnings	\$ 1,394	\$ 2,950
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	807	827
Stock-based compensation	240	352
Gain on sale of fixed assets	-	(15)
Amortization of bond premium	44	133
Changes in operating assets and liabilities	65	4,168
Net cash provided by operating activities	2,550	8,415
Cash flows from investing activities:		
Purchase of property, plant and equipment	(105)	(41)
Proceeds from sales of property, plant and equipment	-	15
Purchases of marketable securities	(75,504)	(16,067)
Proceeds from sales and maturities of marketable securities	20,700	19,574
Net cash (used in) provided by investing activities	(54,909)	3,481
Cash flows from financing activities:		
Dividends paid	(2,023)	(2,023)
Proceeds from exercise of stock options	6	-
Payments of long-term debt	(750)	(750)
Net cash used in financing activities	(2,767)	(2,773)
(Decrease) increase in cash and cash equivalents before effect of exchange rate changes	(55,126)	9,123
Effect of exchange rate changes on cash and cash equivalents	1	(20)
(Decrease) increase in cash and cash equivalents	(55,125)	9,103
Cash and cash equivalents, beginning of period	102,438	97,757
Cash and cash equivalents, end of period	\$ 47,313	\$ 106,860
Supplemental cash flow information:		
Cash paid during the period for income taxes, net of refunds	\$ -	\$ -
Cash paid during the period for interest	\$ 293	\$ 209

See Notes to Consolidated Financial Statements (Unaudited).

PARK ELECTROCHEMICAL CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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

1. CONSOLIDATED FINANCIAL STATEMENTS

The Condensed Consolidated Balance Sheet as of May 28, 2017, the Consolidated Statements of Operations and the Consolidated Statements of Comprehensive Earnings for the 13 weeks ended May 28, 2017 and May 29, 2016, and the Condensed Consolidated Statements of Cash Flows for the 13 weeks then ended have been prepared by Park Electrochemical Corp. (the "Company"), without audit. In the opinion of management, these unaudited consolidated financial statements contain all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position at May 28, 2017 and the results of operations and cash flows for all periods presented. The Consolidated Statements of Operations are not necessarily indicative of the results to be expected for the full fiscal year or any subsequent interim period.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP") have been condensed or omitted. It is suggested that these consolidated financial statements be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended February 26, 2017. There have been no significant changes to such accounting policies during the 13 weeks ended May 28, 2017.

2. FAIR VALUE MEASUREMENTS

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

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

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

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

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

The fair value of the Company's cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their carrying value due to their short-term nature. Due to the variable interest rates periodically adjusting with the current LIBOR, the carrying value of outstanding borrowings under the Company's long-term debt approximates its fair value. (See Note 5). Certain assets and liabilities of the Company are required to be recorded at fair value on either a recurring or non-recurring basis. On a recurring basis, the Company records its marketable securities at fair value using Level 1 or Level 2 inputs. (See Note 3).

The Company's non-financial assets measured at fair value on a non-recurring basis include goodwill and any long-lived assets written down to fair value. To measure fair value of such assets, the Company uses Level 3 inputs consisting of techniques including an income approach and a market approach. The income approach is based on a discounted cash flow analysis and calculates the fair value by estimating the after-tax cash flows attributable to a reporting unit and then discounting the after-tax cash flows to a present value using a risk-adjusted discount rate. Assumptions used in the discounted cash flow analysis require the exercise of significant judgment, including judgment about appropriate discount rates, terminal values, growth rates and the amount and timing of expected future cash flows. There were no transfers between levels within the fair value hierarchy during the 13 weeks ended May 28, 2017 and May 29, 2016. With respect to goodwill, the Company first assesses qualitative factors to determine whether it is more likely than not that fair value is less than carrying value. If, based on that assessment, the Company believes it is more likely than not that fair value is less than carrying value, a goodwill impairment test is performed. There have been no changes in events or circumstances which required impairment charges to be recorded during the 13 weeks ended May 28, 2017.

3. MARKETABLE SECURITIES

All marketable securities are classified as available-for-sale and are carried at fair value, with the unrealized gains and losses, net of tax, included in comprehensive earnings. Realized gains and losses, amortization of premiums and discounts, and interest and dividend income, are included in interest and other income in the Consolidated Statements of Operations. The costs of securities sold are based on the specific identification method.

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

	May 28, 2017			
	Total	Level 1	Level 2	Level 3
U.S. Treasury and other government securities	\$ 152,280	\$ 152,280	\$ -	\$ -
U.S. corporate debt securities	38,207	38,207	-	-
Total marketable securities	\$ 190,487	\$ 190,487	\$ -	\$ -

	February 26, 2017			
	Total	Level 1	Level 2	Level 3
U.S. Treasury and other government securities	\$ 111,261	\$ 111,261	\$ -	\$ -
U.S. corporate debt securities	24,891	24,891	-	-
Total marketable securities	\$ 136,152	\$ 136,152	\$ -	\$ -

The following table shows the amortized cost basis of, and gross unrealized gains and losses on, the Company's available-for-sale securities:

	<u>Amortized Cost Basis</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>
May 28, 2017:			
U.S. Treasury and other government securities	\$ 152,901	\$ 36	\$ 657
U.S. corporate debt securities	38,343	-	136
Total marketable securities	\$ 191,244	\$ 36	\$ 793
February 26, 2017:			
U.S. Treasury and other government securities	\$ 111,727	\$ 136	\$ 602
U.S. corporate debt securities	24,938	1	48
Total marketable securities	\$ 136,665	\$ 137	\$ 650

The estimated fair values of such securities at May 28, 2017 by contractual maturity are shown below:

Due in one year or less	\$ 48,390
Due after one year through five years	142,097
	\$ 190,487

4. INVENTORIES

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

	<u>May 28, 2017</u>	<u>February 26, 2017</u>
<u>Inventories:</u>		
Raw materials	\$ 5,508	\$ 5,842
Work-in-process	2,264	2,329
Finished goods	2,796	2,585
Manufacturing supplies	340	349
	\$ 10,908	\$ 11,105

5. LONG-TERM DEBT

On January 15, 2016, the Company entered into a three-year revolving credit facility agreement (the "Credit Agreement") with HSBC Bank USA, National Association ("HSBC Bank"). This Credit Agreement replaced the Amended Credit Agreement that the Company entered into with PNC Bank in February 2014. The Credit Agreement provides for loans up to \$75,000 and letters of credit up to \$2,000. The Company borrowed \$75,000 under the Credit Agreement and obtained letters of credit in the initial principal amount of \$1,075. During the 2016 fiscal year, the Company made no payments in accordance with the Credit Agreement. During the 2017 fiscal year, the Company paid a total of \$3,000 in accordance with the Credit Agreement; and, during the 2018 fiscal year first quarter ended May 28, 2017, the Company paid a quarterly installment of \$750. The remaining \$71,250 is payable in seven quarterly installments of \$750 each, with the remaining amount outstanding under the Credit Agreement payable on January 26, 2019. Pursuant to an amendment entered into on April 21, 2017, the second and third installments due in the 2018 fiscal year were increased from \$750 to \$1,000.

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

On January 5, 2017, the Company entered into an amendment to the Credit Agreement (the "Amended Credit Agreement") with HSBC Bank that modified the LIBOR interest rate and certain covenants. Under the Amended Credit Agreement, the LIBOR interest rate will be equal to the one, two, three, or six month LIBOR plus (a) 1.65% through April 5, 2017, (b) 1.90% from April 6, 2017 through July 5, 2017, (c) 2.15% from July 6, 2017 through October 5, 2017 and (d) 2.65% after October 5, 2017.

The Credit Agreement and the Amended Credit Agreement contain certain customary affirmative and negative covenants, including customary financial covenants. The covenants require the Company to (a) maintain a gross leverage charge ratio not to exceed 4.50 to 1.00 for the fiscal quarters ending February 26, 2017 and May 28, 2017, 4.25 to 1.00 for the fiscal quarter ending August 27, 2017 and 3.75 to 1.00 each fiscal quarter thereafter, (b) maintain a minimum fixed charge coverage ratio of 0.30 to 1.00 for the fiscal quarter ending February 26, 2017, 0.20 to 1.00 for the fiscal quarter ending May 28, 2017, 0.50 to 1.00 for the fiscal quarter ending August 27, 2017 and 1.10 to 1.00 for each fiscal quarter thereafter and (c) maintain a minimum quick ratio of 2.00 to 1.00 beginning with the fiscal quarter first ending after January 26, 2016 and continuing thereafter. In addition, the Company must maintain minimum domestic liquid assets of \$10,000 in cash held at all times in a domestic deposit account. The Company is in compliance with all the financial covenants.

During the quarter end May 28, 2017, the Company entered into two amendments to the Credit Agreement with HSBC Bank that modified the financial covenants and relaxed loan repayment requirements upon repatriation of foreign funds in the first and second quarters of fiscal year 2018. The amendments modified the definition of EBITDA to exclude \$4,600 of restructuring charges in connection with the consolidation of the Company's Nelco Products, Inc. and Neltec, Inc. business units in the United States in fiscal year 2018, reduced the maximum gross leverage charge ratio to 1.10 to 1.00 and reduced the fixed charge coverage ratio to 0.20 to 1.00 for the first, second and third quarters of the 2018 fiscal year.

At May 28, 2017, \$71,250 of indebtedness was outstanding under the Credit Agreement with an interest rate of 2.67%. Interest expense recorded under the Credit Agreement and the Amended Credit Agreement was \$510 and \$333 during the 13-week periods ended May 28, 2017 and May 29, 2016, respectively.

6. RESTRUCTURING CHARGES

On April 18, 2017, the Company announced the consolidation of its Nelco Products, Inc. subsidiary located in Fullerton, California and its Neltec, Inc. subsidiary located in Tempe, Arizona. The consolidation is expected to take four to six months to complete. When complete, all business functions will be performed at Neltec in Tempe, Arizona and certain manufacturing operations will be combined and performed at Neltec.

The Company expects to incur a pre-tax charge in connection with the consolidation of approximately \$5,000 to \$5,500. This charge is expected to be incurred primarily during the first nine months of the fiscal year ending February 25, 2018. In addition to this charge, the Company expects to incur duplicative pre-tax costs of \$300 during the same nine-month period.

The Company recorded a restructuring charge of \$1,250 during the 13-week period ended May 28, 2017 related to the consolidation.

The following table sets forth the charges and accruals related to the restructuring plan:

	Accrued February 26, 2017	Current Period Charges	Cash Payments	Non-Cash Charges	Accrual May 28, 2017	Total Costs Accrued to Date	Total Expected Costs
Facility Lease Costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,739
Severance Costs	-	1,183	-	-	1,183	1,183	1,183
Equipment Removal	-	-	-	-	-	-	700
Other	-	67	-	(67)	-	67	878
Total Restructuring Plan	\$ -	\$ 1,250	\$ -	\$ (67)	\$ 1,183	\$ 1,250	\$ 5,500

The Company recorded additional restructuring charges of \$111 and \$70 during the 13-week periods ended May 28, 2017 and May 29, 2016, respectively, related to the closure in the 2009 fiscal year of the Company's New England Laminates Co., Inc. business unit located in Newburgh, New York. The New England Laminates Co., Inc. building in Newburgh, New York is held for sale. In the 2004 fiscal year, the Company reduced the book value of the building to zero, and the Company intends to sell it during the 2018 fiscal year.

7. EARNINGS PER SHARE

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

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

	13 Weeks Ended	
	May 28, 2017	May 29, 2016
Net earnings	\$ 1,394	\$ 2,950
Weighted average common shares outstanding for basic EPS	20,235,000	20,235,000
Net effect of dilutive options	9,000	-
Weighted average shares outstanding for diluted EPS	20,244,000	20,235,000
Basic earnings per share	\$ 0.07	\$ 0.15
Diluted earnings per share	\$ 0.07	\$ 0.15

Potentially dilutive securities, which were not included in the computation of diluted earnings per share because either the effect would have been anti-dilutive or the options' exercise prices were greater than the average market price of the common stock, were 872,000 and 1,025,000 for the 13 weeks ended May 28, 2017 and May 29, 2016, respectively.

8. SHAREHOLDERS' EQUITY

During the 13 weeks ended May 28, 2017, the Company sold 275 shares of the Company's treasury stock pursuant to the exercises of employee stock options and received proceeds of \$5 from such exercises and recognized stock-based compensation expense, net of recognized tax benefits, of \$240. These transactions resulted in a \$239 increase in additional paid-in capital during the period.

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

On March 10, 2016, the Company announced that its Board of Directors authorized the Company's purchase, on the open market and in privately negotiated transactions, of up to 1,000,000 additional shares of its common stock, in addition to the unused prior authorization to purchase shares of the Company's common stock announced on January 8, 2015. As a result, the Company is authorized to purchase up to a total of 1,531,412 shares of its common stock, representing approximately 7.6% of the Company's 20,234,671 total outstanding shares as of the close of business on May 25, 2018.

The Company did not purchase any shares of its common stock during the 13 weeks ended May 28, 2017 or during the 13 weeks ended May 29, 2016.

9. INCOME TAXES

The Company's effective tax rate for the 13 weeks ended May 28, 2017 was negative 194.3% compared to 13.9% for the 13 weeks ended May 29, 2016. The effective tax rates for the 13 weeks ended May 28, 2017 and May 29, 2016 were lower than the United States Federal

income tax rate primarily due to portions of taxable income in jurisdictions with lower effective income tax rates and larger foreign tax incentives and a reversal of a tax reserve of \$688 related to certain foreign tax credit positions taken in prior years.

The Company continuously evaluates the liquidity and capital requirements of its operations in the United States and of its foreign operations. As a result of such evaluation during the 2014 fiscal year, the Company recorded a non-cash charge for the accrual of U.S. deferred income taxes in the amount of \$63,958 on undistributed earnings of the Company's subsidiary in Singapore. As a result of such evaluations, the Company repatriated \$2,000, \$6,800 and \$61,000 in cash from the Company's subsidiary in Singapore in the 2018 fiscal year first quarter and in the 2017 and 2016 fiscal years, respectively.

10. GEOGRAPHIC REGIONS

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

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

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

	13 Weeks Ended	
	May 28, 2017	May 29, 2016
Sales:		
North America	\$ 15,416	\$ 16,837
Asia	10,033	12,147
Europe	1,968	2,506
Total sales	\$ 27,417	\$ 31,490
	May 28, 2017	February 26, 2017
Long-lived assets:		
North America	\$ 20,326	\$ 20,794
Asia	8,216	8,440
Europe	219	214
Total long-lived assets	\$ 28,761	\$ 29,448

11. CONTINGENCIES

Litigation

The Company is subject to a number of proceedings, lawsuits and other claims related to environmental, employment, product and other matters. The Company is required to assess the likelihood of any adverse judgments or outcomes in these matters as well as potential ranges of probable losses. A determination of the amount of reserves required, if any, for these contingencies is made after careful analysis of each individual issue. The required reserves may change in the future due to new developments in each matter or changes in approach, such as a change in settlement strategy in dealing with these matters. The Company believes that the ultimate disposition of such proceedings, lawsuits and claims will not have a material adverse effect on the liquidity, capital resources, business or consolidated results of operations or financial position of the Company. In the first quarter of the 2018 fiscal year, the Company recorded a one-time litigation expense of \$375 for the settlement of an employment litigation.

Environmental Contingencies

The Company and certain of its subsidiaries have been named by the Environmental Protection Agency (the "EPA") or a comparable state agency under the Comprehensive Environmental Response, Compensation and Liability Act (the "Superfund Act") or similar state law as potentially responsible parties in connection with alleged releases of hazardous substances at four sites.

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

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

The total costs incurred by the Company and its subsidiaries in connection with these sites, including legal fees incurred by the Company and its subsidiaries and their assessed share of remediation costs and excluding amounts expected to be reimbursed by insurance carriers, were approximately \$1 and \$1 during the 13 weeks ended May 28, 2017 and May 29, 2016, respectively. The Company had no recorded liabilities for environmental matters for the 13 weeks ended May 28, 2017 and May 29, 2016.

The Company does not record environmental liabilities and related legal expenses for which the Company believes that it and its subsidiaries have general liability insurance coverage for the years during which the Company's subsidiaries' waste was disposed at three sites for which certain subsidiaries of the Company have been named as potentially responsible parties. Pursuant to such general liability insurance coverage, three insurance carriers reimburse the Company and its subsidiaries for 100% of the legal defense and remediation costs associated with the three sites.

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

12. ACCOUNTING PRONOUNCEMENTS

Recently Adopted

In March 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-09, *Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*, to improve the accounting for employee share-based payments. The new standard is effective for fiscal years beginning after December 15, 2016 and the interim periods within those fiscal years. The Company has adopted the guidance effective February 27, 2017, the first day of the 2018 fiscal year, and the adoption of this guidance did not impact its consolidated results of operations, cash flows, financial position and disclosures.

Recently Issued

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, to reduce the diversity that exists in the classification and presentation of changes in restricted cash in the statement of cash flows. The new standard is effective for fiscal years beginning after December 15, 2017 and the interim periods within those fiscal years. The Company is currently evaluating the impact this new guidance may have on its consolidated cash flows.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230) Classification of Certain Cash Receipts and Cash Payments*, to reduce the diversity in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The new standard is effective for fiscal years beginning after December 15, 2017 and the interim periods within those fiscal years. The Company is currently evaluating the impact that this new guidance may have on its consolidated cash flows.

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

In May 2014, the FASB issued Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers*, which supersedes the revenue recognition requirements in ASC Topic 605, *Revenue Recognition*, including most industry-specific revenue recognition guidance throughout the Industry Topics of the Codification. This guidance requires that an entity recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, and expands the related disclosure requirements. The new standard was originally scheduled to be effective for fiscal years beginning after December 15, 2016, including interim reporting periods within those fiscal years. In August 2015, the FASB delayed

the effective date of this guidance for one year. With the delay, the new standard is effective for fiscal years beginning after December 15, 2017, and interim periods therein, with an option to adopt the standard on the originally scheduled effective date. The Company has concluded that this new guidance will not have a significant impact on its consolidated results of operations, cash flows, financial position and disclosures.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

General:

Park Electrochemical Corp. ("Park" or the "Company") is a global advanced materials company which develops, manufactures, markets and sells advanced composite materials, primary and secondary structures and assemblies and low-volume tooling for the aerospace markets and high-technology digital and RF/microwave printed circuit materials principally for the telecommunications and internet infrastructure, enterprise and military/aerospace markets. The Company's manufacturing facilities are located in Kansas, Singapore, France, Arizona and California. The Company also maintains research and development facilities in Arizona, Kansas and Singapore.

Financial Overview

The Company's total net sales worldwide in the 13 weeks ended May 28, 2017 were 13% lower than in the 13 weeks ended May 29, 2016 principally as a result of lower sales of the Company's printed circuit materials products in Asia, North America and Europe, partially offset by higher sales of the Company's aerospace composite materials, structures and assemblies products. The Company's total net sales worldwide in the 13 weeks ended May 28, 2017 were 1% lower than in the 13 weeks ended February 26, 2017 principally as a result of lower sales of the Company's printed circuit materials products in Asia and North America mostly offset by higher sales of aerospace composite materials, structures and assemblies in North America.

The Company's gross profit margin, measured as a percentage of sales, decreased to 23.1% in the 13 weeks ended May 28, 2017 from 27.9% in the 13 weeks ended May 29, 2016 principally as a result of lower sales and production levels of its printed circuit materials products in Asia, North America and Europe, partially offset by higher sales of aerospace composite materials, structures and assemblies products.

The Company's earnings from operations and net earnings were 93% lower and 53% lower, respectively, in the 13 weeks ended May 28, 2017 than in last fiscal year's comparable period, primarily as a result of the aforementioned lower sales and decrease in the gross profit margin and to the costs recorded in the 13 weeks ended May 28, 2017 for the consolidation of the Company's business units in California and Arizona. Earnings from operations in the 13 weeks ended May 28, 2017 included pre-tax restructuring charges of \$1,361,000 in connection with the consolidation of the California and Arizona business units and the closure in fiscal year 2009 of the New England Laminates Co., Inc. facility located in Newburgh, New York. Earnings from operations in the 13 weeks ended May 29, 2016 included a pre-tax restructuring charge of \$70,000 related to the Newburgh facility closure.

The global markets for the Company's products continue to be very difficult to forecast, and it is not clear to the Company what the demand for the Company's products will be in the remainder of the 2018 fiscal year or beyond.

Results of Operations:

The following table provides the components of the consolidated statements of operations:

(amounts in thousands, except per share amounts)	13 Weeks Ended		% Change
	May 28, 2017	May 29, 2016	
Net sales	\$ 27,417	\$ 31,490	(13)%
Cost of sales	21,095	22,703	(7)%
Gross profit	6,322	8,787	(28)%
Selling, general and administrative expenses	4,727	5,337	(11)%
Restructuring charges	1,361	70	1,844 %
Earnings from operations	234	3,380	(93)%
Interest expense	510	333	53 %
Interest and other income	749	378	98 %
Earnings before income taxes	473	3,425	(86)%
Income tax (benefit) provision	(921)	475	(294)%
Net earnings	\$ 1,394	\$ 2,950	(53)%
Earnings per share:			
Basic earnings per share	\$ 0.07	\$ 0.15	(53)%
Diluted earnings per share	\$ 0.07	\$ 0.15	(53)%

Net Sales

The Company's total net sales worldwide in the 13 weeks ended May 28, 2017 decreased to \$27.4 million from \$31.5 million in the 13 weeks ended May 29, 2016, primarily as a result of lower sales of the Company's printed circuit materials products in Asia, North America and Europe, partially offset by higher sales of the Company's aerospace composite materials, structures and assemblies products.

The Company's total net sales of its aerospace composite materials, structures and assemblies products were \$8.7 million in the 13 weeks ended May 28, 2017, or 32% of the Company's total net sales worldwide in such period, compared to \$7.7 million in the 13 weeks ended May 29, 2016, or 24% of the Company's total net sales worldwide in such period. The Company's total net sales of its printed circuit materials products were \$18.7 million in the 13 weeks ended May 28, 2017, or 68% of the Company's total net sales worldwide in such period, compared to \$23.8 million in the 13 weeks ended May 29, 2016, or 76% of the Company's total net sales worldwide in such period.

The Company's foreign sales were \$12.0 million in the 13 weeks ended May 28, 2017, or 44% of the Company's total net sales worldwide in such period, compared to \$14.7 million of foreign sales, or 47% of total net sales worldwide in last fiscal year's comparable period. The Company's foreign sales in the 13-week period ended May 28, 2017 decreased 18% from last fiscal year's comparable period, primarily due to lower sales in Asia.

In the 13 weeks ended May 28, 2017, the Company's sales in North America, Asia and Europe were 56%, 37% and 7%, respectively, of the Company's total net sales worldwide

compared to 53%, 39% and 8%, respectively, in the 13 weeks ended May 29, 2016. The Company's sales in North America decreased 8%, its sales in Asia decreased 17% and its sales in Europe decreased 21% in the 13-week period ended May 28, 2017 compared to the 13-week period ended May 29, 2016.

During the 13 weeks ended May 28, 2017, the Company's sales of its high performance printed circuit materials were 92% of the Company's total net sales worldwide of printed circuit materials compared to 94% during the 13 weeks ended May 29, 2016.

The Company's high performance printed circuit materials (non-FR4 printed circuit materials) include high-speed, low-loss materials for digital and RF/microwave applications requiring lead-free compatibility and high bandwidth signal integrity, allylated polyphenylene ether ("APPE") materials, bismalimide triazine ("BT") materials, polyimides for applications that demand extremely high thermal performance and reliability, cyanate esters, quartz reinforced materials, and polytetrafluoroethylene ("PTFE") and modified epoxy materials for RF/microwave systems that operate at frequencies up to at least 79GHz.

Gross Profit

The Company's gross profit in the 13 weeks ended May 28, 2017 was lower than the gross profit in the prior year's comparable period, and the gross profit as a percentage of sales for the Company's worldwide operations in the 13 weeks ended May 28, 2017 decreased to 23.1% from 27.9% in the 13 weeks ended May 29, 2016, primarily due to lower sales and production levels of its printed circuit materials products in North America, Asia and Europe, partially offset by higher sales and production levels of its aerospace composite materials, structures and assemblies products.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased by \$610,000 during the 13 weeks ended May 28, 2017, or by 11%, compared to last fiscal year's comparable period, and these expenses, measured as a percentage of sales, were 17.2% and 16.9% in the 13 weeks ended May 28, 2017 and May 29, 2016, respectively. The decrease in such expenses during the 13 weeks ended May 28, 2017 was primarily the result of lower payroll, bonus, profit sharing and stock option expenses and lower shipping expenses due to the decrease in sales. During the 13 weeks ended May 28, 2017, selling, general and administrative expenses included a one-time litigation expense of \$375,000.

Selling, general and administrative expenses included stock option expenses of \$240,000 and \$352,000 for the 13 weeks ended May 28, 2017 and May 29, 2016, respectively.

Restructuring Charges

In the 13 weeks ended May 28, 2017, the Company recorded pre-tax restructuring charges of \$1,361,000 in connection with the consolidation of the Company's California and Arizona business units and the closure in fiscal year 2009 of the New England Laminates Co., Inc. facility located in Newburgh, New York. In the 13 weeks ended May 29, 2016 the Company recorded a pre-tax restructuring charge of \$70,000 related to the Newburgh facility closure.

The Company expects to incur a pre-tax charge in connection with the consolidation of approximately \$5,000 to \$5,500. This charge is expected to be incurred primarily during the first nine months of the fiscal year ending February 25, 2018. In addition to this charge, the Company expects to incur duplicative pre-tax costs of \$300 during the same nine-month period. When the consolidation is complete, the Company expects an ongoing pre-tax benefit from the

consolidation of approximately \$3,000 to \$3,500 per year consisting of reduced labor and operating costs. The consolidation is in response to declining sales and earnings in the U.S.

Earnings from Operations

For the reasons set forth above, the Company's earnings from operations were \$0.2 million for the 13 weeks ended May 28, 2017, which included the aforementioned restructuring charge of \$1,361,000 and the one-time litigation expense of \$375,000, compared to \$3.4 million for the 13 weeks ended May 29, 2016, which included the aforementioned restructuring charge of \$70,000.

Interest Expense

Interest expense in the 13 weeks ended May 28, 2017 related to the Company's outstanding borrowings under the three-year revolving credit facility agreement, as amended, that the Company entered into with HSBC Bank in the fourth quarter of the 2016. The agreement provides for an interest rate on the outstanding loan balance of LIBOR plus 1.15% to 2.65%. Other interest rate options are available to the Company under the agreement. See "Liquidity and Capital Resources" elsewhere in this Item 2 and Note 5 of the Notes to Consolidated Financial Statements included elsewhere in this Report for additional information.

Interest Income

Interest income was \$749,000 and \$378,000 for the 13 weeks ended May 28, 2017 and May 29, 2016, respectively. Interest income increased 98% for the 13 weeks ended May 28, 2017, primarily as a result of higher weighted average market interest rates, longer average maturities of marketable securities held by the Company and larger average balances of marketable securities held by the Company in the 13 weeks ended May 28, 2017 compared to last fiscal year's comparable period. During the 13 weeks ended May 28, 2017, the Company earned interest income principally from its investments, which were primarily in short-term instruments and money market funds.

Income Tax Provision

The Company's effective income tax rate for the 13 weeks ended May 28, 2017 was negative 194.3% compared to 13.9% for the 13 weeks ended May 29, 2016. The effective tax rate for the 13 weeks ended May 28, 2017 was lower than the effective tax rate for the 13 weeks ended May 29, 2016, primarily due to the impact of the aforementioned restructuring charges and the reversal of a tax reserve of \$688,000 in the 13 weeks ended May 28, 2017.

Net Earnings

For the reasons set forth above, the Company's net earnings for the 13 weeks ended May 28, 2017 were \$1.4 million, including the pre-tax restructuring charge described above, compared to net earnings of \$3.0 million for the 13 weeks ended May 29, 2016, including the pre-tax restructuring charge described above.

Basic and Diluted Earnings Per Share

Basic and diluted earnings per share for the 13 weeks ended May 28, 2017 were \$0.07, including the pretax consolidation and restructuring charges and the one-time litigation expense described above, compared to basic and diluted earnings per share of \$0.15 for the 13 weeks ended May 29, 2016, including the pretax restructuring charge described above. The net impact

of the items described above was to reduce basic and diluted earnings per share by \$0.05 and \$0.00 in the 13 weeks ended May 28, 2017 and May 29, 2016, respectively.

Liquidity and Capital Resources:

(amounts in thousands)	<u>May 28, 2017</u>	<u>February 26 2017</u>	<u>(Decrease)</u>
Cash and marketable securities	\$ 237,800	\$ 238,590	\$ (790)
Restricted cash	10,000	10,000	-
Working capital	253,682	255,007	(1,325)

(amounts in thousands)	<u>13 Weeks Ended</u>		
	<u>May 28, 2017</u>	<u>May 29, 2016</u>	<u>(Decrease) Increase</u>
Net cash provided by operating activities	\$ 2,550	\$ 8,415	\$ (5,865)
Net cash (used in) provided by investing activities	(54,909)	3,481	(58,390)
Net cash used in financing activities	(2,767)	(2,773)	6

Cash and Marketable Securities

Of the \$247.8 million of cash, marketable securities and restricted cash at May 28, 2017, \$238.3 million was owned by certain of the Company's wholly owned foreign subsidiaries. The Company believes it has sufficient liquidity to fund its operating activities through the end of the 2018 fiscal year and for the foreseeable future thereafter.

The change in cash, marketable securities and restricted cash at May 28, 2017 compared to February 26, 2017 was the result of cash used in operating activities and a number of additional factors. The significant changes in cash flows from operating activities were as follows:

- accounts receivable increased 3% at May 28, 2017 compared to February 26, 2017 due to the timing of shipments in the 13 weeks ended May, 28, 2017;
- inventories decreased by 2% at May 28, 2017 compared to February 26, 2017, primarily due to decreases in raw materials principally as a result of the timing of purchases and shipments;
- prepaid expenses and other current assets increased by 15% at May 28, 2017 compared to February 26, 2017 due to higher accrued interest receivable on marketable securities;
- accounts payable decreased by 13% at May 28, 2017 compared to February 26, 2017, primarily due to the timing of vendor payments and raw material purchases from suppliers; and

- accrued liabilities increased by 54% at May 28, 2017 compared to February 26, 2017 primarily due to the accrual of restructuring costs related to the consolidation of the Company's Nelco Products, Inc. business unit in California and its Neltec, Inc. business unit in Arizona.

In addition, the Company paid \$2.0 million in cash dividends in each of the 13-week periods ended May 28, 2017 and May 29, 2016. During the 13 weeks ended May 28, 2017, the Company also made a \$750,000 principal payment on its long-term debt.

Working Capital

The decrease in working capital at May 28, 2017 compared to February 26, 2017 was due principally to the increase in accrued expenses and decreases in cash and marketable securities and inventories partially offset by decreases in accounts receivable and prepaid expenses and other current assets, and increase in accounts payable.

The Company's current ratio (the ratio of current assets to current liabilities) was 17.6 to 1 at May 28, 2017 compared to 19.1 to 1 at February 26, 2017.

Cash Flows

During the 13 weeks ended May 28, 2017, the Company's net earnings, before depreciation and amortization, stock-based compensation and amortization of bond premium, were \$2.5 million. Such earnings were increased by changes in operating assets and liabilities of \$0.1 million, resulting in \$2.6 million of cash provided by operating activities. During the same 13-week period, the Company expended \$105,000 for the purchase of property, plant and equipment, compared with \$41,000 during the 13 weeks ended May 29, 2016. The Company paid \$2.0 million in cash dividends in each of the 13-week periods ended May 28, 2017 and May 29, 2016. In addition, during the 13-week period ended May 28, 2017, the Company made a \$750,000 principal payment on its long-term debt.

Debt

At May 28, 2017 and February 26, 2017, the Company had \$71.3 million and \$72.0 million of bank debt, respectively. In the fourth quarter of 2016, the Company entered into a three-year revolving credit facility agreement (the "Credit Agreement") with HSBC Bank. The Credit Agreement provides for loans up to \$75.0 million to the Company and letters of credit up to \$2.0 million for the account of the Company, and subject to the terms and conditions of the Credit Agreement, an interest rate on the outstanding loan balance of LIBOR plus 1.15% to LIBOR plus 2.65%. The Credit Agreement contains certain customary affirmative and negative covenants and customary financial covenants. In the event that the Company breaches a covenant that is deemed to be a default under the Credit Agreement requiring prepayment of the outstanding borrowings, the Company has sufficient liquidity to prepay the outstanding amount, as well as any related income taxes for potentially repatriated funds, at any time, and such prepayment would not have a material adverse effect on the Company's consolidated results of operations, cash flows or financial position. For additional information, see Note 5 of the Notes to Consolidated Financial Statements included elsewhere in this Report.

Other Liquidity Factors

The Company believes its financial resources will be sufficient, through the end of fiscal year 2018 and for the foreseeable future thereafter, to provide for continued investment in working capital and property, plant and equipment and for general corporate purposes. The

Company's financial resources are also available for purchases of the Company's common stock, appropriate acquisitions and other expansions of the Company's business.

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

Contractual Obligations:

The Company's contractual obligations and other commercial commitments to make future payments under contracts, such as lease agreements, consist only of (i) operating lease commitments and commitments to purchase raw materials and (ii) the bank debt described above. The Company has no other long-term debt, capital lease obligations, unconditional purchase obligations or other long-term obligations, standby letters of credit, guarantees, standby repurchase obligations or other commercial commitments or contingent commitments, other than two standby letters of credit in the total amount of \$1.0 million to secure the Company's obligations under its workers' compensation insurance program.

Off-Balance Sheet Arrangements:

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

Critical Accounting Policies and Estimates:

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

The Company's critical accounting policies that are important to the Consolidated Financial Statements and that entail, to a significant extent, the use of estimates and assumptions and the application of management's judgment are described in Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations", in the Company's Annual Report on Form 10-K for the fiscal year ended February 26, 2017. There have been no significant changes to such accounting policies during the 2018 fiscal year first quarter.

In May 2014, the FASB issued Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers*, which supersedes the revenue recognition requirements in ASC Topic 605, *Revenue Recognition*, including most industry-specific revenue recognition guidance throughout the Industry Topics of the Codification. This guidance requires that an entity recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, and expands the related disclosure requirements. The

new standard was originally scheduled to be effective for fiscal years beginning after December 15, 2016, including interim reporting periods within those fiscal years. In August 2015, the FASB delayed the effective date of this guidance for one year. With the delay, the new standard is effective for fiscal years beginning after December 15, 2017, and interim periods therein, with an option to adopt the standard on the originally scheduled effective date. The Company has concluded that this new guidance will not have a significant impact on its consolidated results of operations, cash flows, financial position and disclosures.

Contingencies:

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

Factors That May Affect Future Results.

Certain portions of this Report which do not relate to historical financial information may be deemed to constitute forward-looking statements that are subject to various factors which could cause actual results to differ materially from the Company's expectations or from results which might be projected, forecasted, estimated or budgeted by the Company in forward-looking statements. Such factors include, but are not limited to, general conditions in the electronics and aerospace industries, the Company's competitive position, the status of the Company's relationships with its customers, economic conditions in international markets, the cost and availability of raw materials, transportation and utilities, and the various factors set forth in Item 1A "Risk Factors" and under the caption "Factors That May Affect Future Results" after Item 7 of the Company's Annual Report on Form 10-K for the fiscal year ended February 26, 2017.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

The Company's market risk exposure at May 28, 2017 is consistent with, and not greater than, the types of market risk and amount of exposures presented in the Annual Report on Form 10-K for the fiscal year ended February 26, 2017.

Item 4. Controls and Procedures.

(a) Disclosure Controls and Procedures.

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of May 28, 2017, the end of the quarterly fiscal period covered by this quarterly report. Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures were effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act and were effective in ensuring that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the

Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

(b) Changes in Internal Control Over Financial Reporting.

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

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

None.

Item 1A. Risk Factors.

There have been no material changes in the risk factors as previously disclosed in the Company's Form 10-K Annual Report for the fiscal year ended February 26, 2017.

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

The following table provides information with respect to shares of the Company's common stock acquired by the Company during each month included in the Company's 2018 fiscal year first quarter ended May 28, 2017.

<u>Period</u>	<u>Total Number of Shares (or Units) Purchased</u>	<u>Average Price Paid Per Share (or Unit)</u>	<u>Total Number of Shares (or Units) Purchased As Part of Publicly Announced Plans or Programs</u>	<u>Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs</u>
February 27 - March 28	0	\$ -	0	
March 29 - April 28	0	\$ -	0	
April 29 - May 28	0	\$ -	0	
Total	0	\$ -	0	1,531,412 (a)

- (a) Aggregate number of shares available to be purchased by the Company pursuant to share purchase authorizations announced on January 8, 2015 and March 10, 2016. Pursuant to such authorizations, the Company is authorized to purchase its shares from time to time on the open market or in privately negotiated transactions.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

None.

Item 5. Other Information.

None.

Item 6. **Exhibits.**

- 31.1 Certification of principal executive officer pursuant to Exchange Act Rule 13a-14(a) or 15d-14(a).
- 31.2 Certification of principal financial officer pursuant to Exchange Act Rule 13a-14(a) or 15d-14(a).
- 32.1 Certification of principal executive officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of principal financial officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 101 The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended May 28, 2017, formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets at May 28, 2017 (unaudited) and February 26, 2017; (ii) Consolidated Statements of Operations for the 13 weeks ended May 28, 2017 and May 29, 2016 (unaudited); (iii) Consolidated Statements of Comprehensive Earnings for the 13 weeks ended May 28, 2017 and May 29, 2016 (unaudited); and (iv) Condensed Consolidated Statements of Cash Flows for the 13 weeks ended May 28, 2017 and May 29, 2016 (unaudited). * +

* Filed electronically herewith.

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

SIGNATURES

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

Park Electrochemical Corp.

(Registrant)

Date: July 7, 2017

/s/ Brian E. Shore

Brian E. Shore
Chief Executive Officer
(principal executive officer)

Date: July 7, 2017

/s/ P. Matthew Farabaugh

P. Matthew Farabaugh
Senior Vice President and Chief Financial Officer
(principal financial officer)
(principal accounting officer)

EXHIBIT INDEX

Exhibit No. -----	Name ----
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**Certification of Principal Executive Officer
Pursuant to Exchange Act Rule 13a-14(a) or 15d-14(a)**

I, Brian E. Shore, as Chief Executive Officer of Park Electrochemical Corp., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended May 28, 2017 of Park Electrochemical Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 7, 2017

/s/ Brian E. Shore

Name: Brian E. Shore

Title: Chief Executive Officer

**Certification of Principal Financial Officer
Pursuant to Exchange Act Rule 13a-14(a) or 15d-14(a)**

I, P. Matthew Farabaugh, as Senior Vice President and Chief Financial Officer of Park Electrochemical Corp., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended May 28, 2017 of Park Electrochemical Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to

- adversely affect the registrant's ability to record, process, summarize and report financial information; and
- (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 7, 2017

/s/ P. Matthew Farabaugh
Name: P. Matthew Farabaugh
Title: Senior Vice President and Chief Financial Officer

**Certification of Principal Executive Officer Pursuant to
18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report on Form 10-Q of Park Electrochemical Corp. (the "Company") for the quarterly period ended May 28, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Brian E. Shore, as Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Brian E. Shore

Name: Brian E. Shore

Title: Chief Executive Officer

Date: July 7, 2017

**Certification of Principal Financial Officer Pursuant to
18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report on Form 10-Q of Park Electrochemical Corp. (the "Company") for the quarterly period ended May 28, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), P. Matthew Farabaugh, as Senior Vice President and Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ P. Matthew Farabaugh

Name: P. Matthew Farabaugh

Title: Senior Vice President and Chief Financial Officer

Date: July 7, 2017