

PARK ELECTROCHEMICAL CORP
Form 10-K
May 12, 2011

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended February 27, 2011

OR

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

For the transition period from _____ to _____

Commission file number 1-4415

PARK ELECTROCHEMICAL CORP.
(Exact Name of Registrant as Specified in Its Charter)

New York
(State or Other Jurisdiction of
Incorporation of Organization)
48 South Service Road, Melville, New York
(Address of Principal Executive Offices)

11-1734643
(I.R.S. Employer
Identification No.)
11747
(Zip Code)

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

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

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

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

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

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

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

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

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

Title of Class	Aggregate Market Value	As of Close of Business On
Common Stock, par value \$.10 per share	\$ 514,383,856	August 27, 2010

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	20,725,371	May 9, 2011

DOCUMENTS INCORPORATED BY REFERENCE

Proxy Statement for Annual Meeting of Shareholders to be held July 19, 2011 incorporated by reference into Part III of this Report.

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PART I

ITEM 1. BUSINESS.

General

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

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

Sales of Park’s printed circuit materials products were 89% and 87% of the Company’s total net sales worldwide in the 2011 and 2010 fiscal years, respectively, and sales of Park’s advanced composite materials, parts and assemblies products were 11% and 13% of the Company’s total net sales worldwide in the 2011 and 2010 fiscal years, respectively.

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 16 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.

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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, which is an acronym for pre-impregnated material. The Company has long-term relationships with its major customers, which include leading independent printed circuit board fabricators, electronic manufacturing service companies, electronic contract manufacturers and major electronic original equipment manufacturers ("OEMs"). Multilayer printed circuit boards and interconnect systems are used in virtually all advanced electronic equipment to direct, sequence and control electronic signals between semiconductor devices (such as microprocessors and memory and logic devices), passive components (such as resistors and capacitors) and connection devices (such as infra-red couplings, fiber optics, compliant pin and surface mount connectors). Examples of end uses of the Company's digital printed circuit materials include high speed routers and servers, storage area networks, supercomputers, satellite switching equipment, and wireless local area networks ("LANs"). The Company's 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.

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.

Printed Circuit Materials – Industry Background

The printed circuit materials manufactured by the Company and its competitors are used primarily to construct and fabricate complex multilayer printed circuit boards and other advanced electronic interconnection systems. Multilayer printed circuit materials consist of prepregs and copper-clad laminates. Prepregs are chemically and electrically engineered thermosetting

or thermoplastic resin systems which are impregnated into and reinforced by a specially manufactured fiberglass cloth product or other woven or non-woven reinforcing fiber. This insulating dielectric substrate generally is 0.030 inch to 0.002 inch in thickness or less in some cases. While these resin systems historically have been based on epoxy resin chemistry, in recent years, increasingly demanding OEM requirements have driven the industry to utilize proprietary enhanced epoxies as well as other higher performance resins, such as phenolic, bismalimide triazine ("BT"), cyanate ester, 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 0.0056 inch to 0.0002 inch in thickness and normally have a thickness of 0.0014 inch or 0.0007 inch. The Company supplies both copper-clad laminates and prepregs to its customers, which use these products as a system to construct multilayer printed circuit boards.

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

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

Advanced interconnect systems require higher technology printed circuit materials to insure the performance of the electronic system and to improve the manufacturability of the interconnect platform. Printed circuit board

fabricators and electronic equipment manufacturers require advanced printed circuit materials that have increasingly higher temperature tolerances and more advanced and stable electrical properties in order to support high-speed computing in a miniaturized and often portable environment. Temperature tolerance has been further emphasized by the advent of lead-free assemblies.

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

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

Printed Circuit Materials – Products and Services

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

The Company’s 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, engineered formulations, high-temperature modified epoxies, phenolics, bismalimide triazine (“BT”) epoxies, non-MDA polyimides, enhanced polyimides, SI® (Signal Integrity) products, cyanate esters and 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 and high bandwidth signal integrity, BT materials, polyimides for applications that demand extremely high thermal performance, cyanate esters, quartz reinforced materials, and PTFE and modified epoxy materials for RF/microwave systems that operate at frequencies up to 77 GHz.

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

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

Printed Circuit Materials – Customers and End Markets

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

During the Company's 2011 fiscal year, approximately 14.6% of the Company's total worldwide sales were to Sanmina-SCI Corporation, a leading electronics contract manufacturer and manufacturer of printed circuit boards, approximately 16.4% of the Company's total worldwide sales were to TTM Technologies, Inc., a leading manufacturer of printed circuit boards, and approximately 10.2% of the Company's total worldwide sales were to subsidiaries of Flextronics International Ltd. which are manufacturers of multilayer printed circuit boards. During the Company's 2010 fiscal year,

approximately 13.7% of the Company's total worldwide sales were to Sanmina-SCI Corporation, and approximately 11.3% of the Company's total worldwide sales were to TTM Technologies, Inc. During the Company's 2011 and 2010 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 and manufacturers' representatives in industrial centers in Europe and Asia.

Printed Circuit Materials – Manufacturing

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

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

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

The Company manufactures multilayer printed circuit materials at four fully integrated facilities located in the United States, Europe and Southeast Asia. The Company opened its California facility in 1965, its Arizona facility in 1984, its Singapore facility in 1986 and its France facility in 1992. The Company services the North American market principally through its United States manufacturing facilities, the European market principally through its manufacturing facilities in the United States and in France, and the Asian market principally through its Singapore manufacturing facility. During its 2002 fiscal year, the Company established a business center in central China, which was replaced by a manufacturing facility in the Zhuhai Free Trade Zone approximately 50 miles west of Hong Kong in southern China. This facility was completed in the Company's 2007 fiscal

year. During the 2008 fiscal year, the Company modified certain of the equipment in this facility so that it can laminate PTFE based circuitry materials in Asia. In addition, the Company upgraded its printed circuit materials treating operation in Singapore during the 2007 fiscal year so that such operation is capable of treating the Company's full line of advanced printed circuit materials in Singapore, except PTFE materials; and during the 2011 fiscal year, the Company modified certain of the equipment in Singapore so that it can treat PTFE based circuitry material in Asia. In addition, during the 2011 fiscal year, the Company commenced an expansion of its printed circuit materials treating operation in Singapore with the installation of an additional advanced, high-speed treater, which the Company expects to be operational in the 2012 fiscal year second quarter. By maintaining technical and engineering staffs at each of its manufacturing facilities, the Company is able to deliver fully-integrated products and services on a timely basis.

Printed Circuit Materials – Materials and Sources of Supply

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

Significant increases in the cost of materials purchased by the Company could also have a material adverse effect on the Company's business and results of operations if the Company were unable to pass such increases through to its customers. During the second quarter of the 2010 fiscal year, the Company incurred significant increases in the cost of copper foil, one of the Company's primary raw materials, and the Company passed a substantial portion of such increases through to its customers. During the 2011 fiscal year, the Company experienced significant volatility in the cost of copper foil and incurred a significant overall increase in the cost of such copper foil, and the Company passed a substantial portion of such increase through to its customers.

Printed Circuit Materials – Competition

The multilayer printed circuit materials industry is characterized by intense competition and ongoing consolidation. The Company's competitors are primarily divisions or subsidiaries of very large, diversified multinational manufacturers which are substantially larger and have greater financial resources than the Company and, to a lesser degree, smaller regional

producers. Because the Company focuses on the higher technology segment of the printed circuit materials market, technological innovation, quality and service, as well as price, are significant competitive factors.

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

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

Advanced Composite Materials

Advanced Composite Materials Operations

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

The Company's advanced composite materials are manufactured by the Company's Park Aircraft Technologies Corp. subsidiary located in Newton, Kansas, by the Company's Park Advanced Composite Materials, Inc. subsidiary located in Waterbury, Connecticut, which was named Nelcote, Inc. from May 2006 to March 2008 and which was named FiberCote Industries, Inc. prior to May 2006, and by the Company's Nelco Products Pte. Ltd. subsidiary in Singapore.

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 unidirectional fibers, woven fabrics, or non-woven goods such as mats or felts. Reinforcement materials are constructed of E-glass (fiberglass), carbon fiber, S2 glass, aramids such as Kevlar® ("Kevlar" is a registered trademark of E.I. du Pont de Nemours & Co.) and Twaron® ("Twaron" is a registered trademark of Teijin Twaron B.V. LLC), quartz, polyester, and other synthetic materials. Resin formulations are typically highly proprietary, and include various chemical and physical mixtures. The Company produces resin formulations using various epoxies, polyesters, phenolics, cyanate esters, polyimides and other complex matrices. The reinforcement combined with the resin is referred to as a "prepreg", which is an acronym for pre-impregnated material. Advanced composite materials can be broadly categorized as either a thermoset or a thermoplastic. While both material types require the addition of heat to form

a consolidated laminate, thermoplastics can be reformed using additional heat. Once fully cured, thermoset materials can not be further reshaped. The Company believes that the demand for thermoset advanced materials is greater than that for thermoplastics due to the fact that fabrication processes for thermoplastics require much higher temperatures and pressures, and are, therefore, typically more capital intensive than the fabrication processes for thermoset materials.

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

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

Advanced Composite Materials – Products

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

The Company’s advanced composite materials products include prepregs manufactured from proprietary formulations using modified epoxies, phenolics, polyesters, cyanate esters and polyimides combined with woven, non-woven, and unidirectional reinforcements. Reinforcement materials used to produce the Company’s products include polyacrylonitrile (“PAN”) based carbons, aramids, E-glass, S2 glass, polyester, quartz and carbonized 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 include manufacturers in the aerospace, fixed and rotary wing aircraft, rocket motor, electronics, radio frequency ("RF") and specialty industrial markets. The Company's materials are marketed primarily by sales personnel and, to a lesser extent, by independent sales representatives.

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

The Company's aerospace customers include fabricators of aircraft composite parts and assemblies. 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 parts and assemblies for commercial aircraft, but for the general aviation and business aviation, kit aircraft and military markets.

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.

Many of the Company's composite materials are used in the manufacture of aircraft certified by the Federal Aviation Administration (the "FAA"). In support of these programs, the Company has developed FAA accepted databases of design allowables for certain materials that can be used by customers in the design and certification of FAA certified aircraft structures. The Company continues to support public FAA accepted databases such as NCAMP by funding ongoing material qualifications.

Advanced Composite Materials – Manufacturing

The Company's manufacturing facilities for advanced composite materials are currently located in Newton, Kansas, in Waterbury, Connecticut and in Singapore. In the 2009 fiscal year, the Company completed a new development and manufacturing facility in Newton, Kansas 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 controls. The key steps used in the manufacturing process

include chemical reactors, resin mixing, reinforcement impregnation, resin film casting and solvent drying processes.

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

The Company also completes additional processing services, such as toll coating, slitting, sheeting, biasing, sewing and cutting, if needed by the customer. Many of the products manufactured by the Company also undergo extensive testing of the chemical, physical and mechanical properties of the product. These testing requirements are completed in the laboratories and facilities located at the Company's manufacturing facilities. The Company's laboratories have been approved by several aerospace OEMs. 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.

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® ("Kevlar" is a registered trademark of E.I. du Pont de Nemours & Co.), quartz, fiberglass, polyester, specialty chemicals, resins, films, plastics, adhesives and certain other synthetic materials. The Company purchases these materials from several suppliers. Substitutes for many of these materials are not readily available. The qualification and certification of advanced composite materials for certain FAA certified aircraft typically include specific requirements for raw material supply and may restrict the Company's flexibility in qualifying alternative sources of supply for certain key raw materials. The Company continues to work to determine acceptable alternatives for several raw materials with limited availability.

Advanced Composite Materials – Competition

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

Advanced Composite Parts and Assemblies

On April 1, 2008, the Company's wholly owned subsidiary, Park Aerospace Structures Corp., acquired substantially all the assets and business of Nova Composites, Inc. located in Lynnwood, Washington for a cash purchase price of \$4.5 million paid at the closing of the acquisition and up to an additional \$5.5 million payable over five years depending on the achievement of specified earn-out objectives. The Company paid an additional \$1.0 million in the 2010 fiscal year second quarter and an additional \$1.1 million in the 2011 fiscal year first quarter, leaving up to an additional \$3.3 million payable over three years, as of February 27, 2011, depending on the achievement of the earn-out objectives. In the first quarter of the 2012 fiscal year, the Company paid an additional \$1.1 million for such acquisition. Park Aerospace Structures Corp. manufactures aircraft composite parts and assemblies and the tooling for such parts and assemblies. These composite parts and assemblies are manufactured with carbon, fiberglass and other reinforcements impregnated with formulated resins. These impregnated reinforcements, sometimes known as "prepregs", are supplied by other subsidiaries of Park, as well as independent companies.

In the 2010 fiscal year third quarter, the Company commenced construction of a major expansion of its Park Aircraft Technologies Corp. ("PATC") advanced composite materials development and manufacturing facility in Newton, Kansas. The PATC facility, which was designed to develop and produce advanced composite materials for the aircraft and space vehicle industries, contains approximately 52,000 square feet of manufacturing, laboratory and office space and cost approximately \$15 million to construct and fully equip. The Company is expanding its PATC facility in order to manufacture composite parts and assemblies for the aircraft and space vehicle industries. This expansion includes approximately 37,000 square feet of manufacturing and storage space, and the Company is spending approximately \$5 million on the expansion. The Company has completed construction of the expansion and is in the final stages of installing equipment in the expanded facility, and the Company expects the expansion to be operational by the third quarter of the 2012 fiscal year.

Upon completion of the PATC facility expansion, the Company's objective is for PATC to offer composite aircraft and space vehicle parts design and assembly services, in addition to "build-to-print" services. The expansion includes both oven and autoclave composite parts curing equipment and capability. When the expansion is complete, PATC will offer a full range of advanced composite materials manufacturing capability, as well as composite parts design, assembly and production capability, all in its Newton facility. The Company believes that the ability of its PATC facility to offer such a wide and comprehensive array of composite materials and parts manufacturing and development technology and capability to the aircraft and space vehicle industries will provide attractive benefits and advantages to those industries.

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 May 1, 2011, the unfilled portion of all purchase orders received by the Company and believed by it to be firm was approximately \$8,218,000, compared to \$10,691,000 at May 2, 2010.

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 27, 2011.

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 27, 2011, the Company had 614 employees. Of these employees, 474 were engaged in the Company's printed circuit materials operations, 87 in its advanced composite materials, parts and assemblies operations and 53 consisted of executive personnel and general administrative staff. None of the Company's employees are subject to a collective bargaining agreement. Management considers its employee relations to be good.

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 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 eight sites. In addition, two subsidiaries of the Company have received cost recovery claims under the Superfund Act from other private parties involving two other sites, and a subsidiary of the Company 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 on the liquidity, capital resources, business or consolidated results of operations or financial position of the Company. However, one or more of such environmental matters could have a significant negative impact on the Company's consolidated results of operations or financial position for a particular reporting period.

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 15 of the Notes to Consolidated Financial Statements included in Item 8 of Part II of this Report.

ITEM 1A. RISK FACTORS.

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

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

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

The industries in which the Company operates are very competitive.

Certain of the Company's principal competitors are substantially larger and have greater financial resources than the Company, and the Company's operating results will be affected by its ability to maintain its competitive positions in these industries. The printed circuit materials, advanced composite materials and composite parts and assemblies industries are intensely competitive and the Company competes worldwide in the markets for such 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's cost of sales and results of operations were affected by increases in utility costs in the Company's fiscal year ended March 1, 2009. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 of Part II of this Report.

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

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

During the second quarter of the 2010 fiscal year, the Company incurred significant increases in the cost of copper foil, one of the Company's primary raw materials, and the Company passed a substantial portion of such increases through to its customers. During the 2011 fiscal year, the Company experienced significant volatility in the cost of copper foil and incurred a significant overall increase in the cost of such copper foil, and the Company passed a substantial portion of such increase through to its customers. See "Business—Printed Circuit Materials—Materials and Sources of Supply" in Item 1 of Part I of this Report and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 of Part II of this Report.

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

A loss of one or more key customers could adversely affect the Company's profitability. The Company's customer base is concentrated, in part, because the Company's business strategy has been to develop long-term relationships with a select group of customers. During the Company's fiscal year ended February 27, 2011, the Company's ten largest customers accounted for approximately 70% 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 and aerospace industries which are cyclical in nature.

The electronics and aerospace industries are cyclical and have experienced recurring cycles. The downturns, such as occurred in the electronics industry

during the first quarter of the Company's fiscal year ended March 3, 2002 and in the general aviation industry in the fourth quarter of the Company's 2009 fiscal year, can be unexpected and have often reduced demand for, and prices of, printed circuit materials and advanced composite materials, parts and assemblies. This potential reduction in demand and prices could have a negative impact on the Company's business.

In addition, the Company is subject to the effects of general regional and global economic and financial conditions, such as the worldwide economic and financial crises that occurred in the second half of the Company's fiscal year ended March 1, 2009 and that continued in the first and second quarters of the Company's fiscal year ended February 28, 2010.

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

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

The Company faces extensive capital expenditure costs.

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

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

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

The Company is subject to a variety of environmental regulations.

The Company's production processes require the use, storage, treatment and disposal of certain materials which are considered hazardous under applicable environmental laws, and the Company is subject to a variety of regulatory requirements relating to the handling of such materials and the release of emissions and effluents into the environment, non-compliance with which could have a negative impact on the Company. 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.

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
Fullerton, CA	Leased	Printed Circuit Materials	95,000
Anaheim, CA	Leased	Printed Circuit Materials	26,000
Tempe, AZ	Leased	Printed Circuit Materials	91,000
Lannemezan, France	Owned	Printed Circuit Materials	29,000
Singapore	Leased	Printed Circuit Materials	88,000
Zhuhai, China	Leased	Printed Circuit Materials	40,000
Waterbury, CT	Leased	Advanced Composites	100,000
Newton, KS	Leased	Advanced Composites	89,000
Singapore	Leased	Advanced Composites	21,000
Lynnwood, WA	Leased	Aerospace Parts	21,000

The Company is expanding its advanced composites facility in Newton, Kansas as described in Item 1 of Part I of this Report under the caption "Advanced Composite Parts and Assemblies".

The Company believes its facilities and equipment to be in good condition and reasonably suited and adequate for its current needs. During the 2011, 2010 and 2009 fiscal years, certain of the Company's advanced composite materials manufacturing facilities were utilized at less than 50% of their designed capacity. During the 2009 fiscal year, certain of the Company's printed circuit materials manufacturing facilities were utilized at less than 50% of their designed capacity.

During the 2009 fiscal year fourth quarter, the Company closed its New England Laminates Co., Inc. business unit located in Newburgh, New York, which had a facility consisting of approximately 171,000 square feet, and its Neltec Europe SAS business unit in Mirebeau, France, which had a facility consisting of approximately 81,000 square feet. The Company sold its interest in the Mirebeau facility in the 2011 fiscal year fourth quarter, and the Company is attempting to sell its interest in the Newburgh facility.

ITEM 3. LEGAL PROCEEDINGS.

None.

ITEM 4. REMOVED AND RESERVED.

EXECUTIVE OFFICERS OF THE REGISTRANT.

Name	Title	Age
Brian E. Shore	Chief Executive Officer, President and a Director	59
Stephen E. Gilhuley	Executive Vice President, Secretary and General Counsel	66
David R. Dahlquist	Vice President and Chief Financial Officer	37
P. Matthew Farabaugh	Vice President and Controller	50
Christopher T. Mastrogiacomo	Senior Vice President of Strategic Marketing	53
Katherine O. Abbitt	Vice President of Sales and Marketing - Americas	48
Anthony W. DiGaudio	Vice President of Sales and Marketing - Asia	41
Margaret M. Kendrick	Vice President of Operations	51

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

Mr. Gilhuley 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 in October 2006.

Mr. Dahlquist was elected Vice President and Chief Financial Officer effective March 24, 2010. Mr. Dahlquist joined Park Electrochemical Corp. in June 2006 as Product Director, was appointed Director of Marketing in March 2008, Director of Business Development in October 2008 and Vice President of Business Development of Park in December 2008. Prior to joining Park, Mr. Dahlquist held the positions of Director of Quality and Engineering – PC - Asia and Director of Technology – Corporate at Photocircuits Corporation in Glen Cove, New York from November 2005 to June 2006 and was Processing Engineering Manager at Photocircuits Corporation from August 2001 to November 2005.

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

Mr. Mastrogiacomo was appointed Senior Vice President of Strategic Marketing on December 8, 2010. Prior to joining the Company as Vice President of Strategic Marketing in September 2010, Mr. Mastrogiacomo held senior management positions with Sanmina-SCI Corporation, a leading electronics contract manufacturing services company, and its predecessor, Hadco

Corporation, a major manufacturer of advanced electronic interconnect systems. Since 2008, Mr. Mastrogiacomo was Senior Vice President, Printed Wiring Board (USA) of Sanmina-SCI Corporation; from 2004 to 2008, he was Senior Vice President of Operations, the Americas Enclosures Systems of Sanmina-SCI; and from 2000 to 2004, he was Senior Vice President, Printed Wiring Board Operations of Sanmina-SCI. During the twelve years prior to 1997, he held several management positions with Hadco Corporation.

Ms. Abbitt was appointed Vice President of Sales and Marketing – Americas in September 2009. Ms. Abbitt had been Global Sales Manager/Carbon Fibers at Hexcel Corporation in Stamford, Connecticut since December 2007, and prior to that time she held sales and marketing positions in Hexcel's aerospace business and infusion product line business since March 2006. Previously, she held business development positions with A&P Technology, Inc., a manufacturer of braided reinforcements in Cincinnati, Ohio from May 1998 to March 2006.

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 President of Sales in June 2005. He was appointed Vice President of Marketing in June 2006 in addition to the position of Vice President of Sales. He was appointed Vice President of Sales and Marketing – Asia in September 2009. For several years prior to joining Park, Mr. DiGaudio was Technical Manager for Metro Circuits, Division of PJC Technologies, Inc. in Rochester, New York.

Ms. Kendrick was appointed Vice President of Operations effective April 13, 2009. Previously, she was Vice President of North American Operations of the Company since her appointment to that position in September 2008. She had been President of the Company's Nelco Products, Inc. subsidiary in California from January 2004 to October 2008. Prior to January 2004, she served as Vice President of Global Materials for the Company. Ms. Kendrick originally joined the Company in 1984. She is also currently Vice President of Global Supplier Relations of the Company.

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

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

PART II

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

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

For the Fiscal Year Ended February 27, 2011	Stock Price		Dividends
	High	Low	Declared
First Quarter	\$ 31.84	\$ 22.96	\$.10
Second Quarter	28.51	22.57	.10
Third Quarter	29.90	23.62	.10
Fourth Quarter	33.65	26.79	1.10(a)

For the Fiscal Year Ended February 28, 2010	Stock Price		Dividends
	High	Low	Declared
First Quarter	\$ 21.75	\$ 13.41	\$.08
Second Quarter	24.90	18.26	.18(b)
Third Quarter	27.31	20.68	-
Fourth Quarter	28.81	22.60	.10

(a) During the 2011 fiscal year fourth quarter, the Company declared its regular quarterly cash dividend of \$0.10 per share in December 2010, and at the same time the Company announced that its Board of Directors had declared a special cash dividend of \$1.00 per share, payable December 28, 2010 to stockholders of record on December 16, 2010.

(b) On July 22, 2009, the Company announced that its Board of Directors had approved an increase in the Company's regular quarterly cash dividend to \$0.10 per share and declared a regular quarterly cash dividend of \$0.10 per share payable November 5, 2009 to stockholders of record on October 7, 2009. The \$0.10 per share was paid on November 5, 2009.

As of May 9, 2011, there were approximately 750 holders of record of Common Stock.

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

The following table provides information with respect to shares of the Company's Common Stock acquired by the Company during each month included in the Company's 2011 fiscal year fourth quarter ended February 27, 2011.

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 29 - December 27	0	-	0	
December 28 –January 27	3	\$ 33.60	0	
January 28 –February 27	0		0	
Total	3	\$ 33.60	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 27, 2011 and is as of the end of such periods, it is derived from the Consolidated Financial Statements for the five fiscal years ended February 27, 2011 and as of such dates audited by Grant Thornton LLP, independent registered public accounting firm. The Consolidated Financial Statements as of February 27, 2011 and February 28, 2010 and for the three years ended February 27, 2011, together with the independent auditor's report for the three years ended February 27, 2011, appear in Item 8 of Part II of this Report.

	Fiscal Year Ended				
	February 27, 2011	February 28, 2010	March 1, 2009	March 2, 2008	February 25, 2007
(In thousands, except per share amounts)					
STATEMENTS OF EARNINGS INFORMATION:					
Net sales	\$ 211,652	\$ 175,686	\$ 200,062	\$ 241,852	\$ 257,377
Cost of sales	141,751	124,084	156,638	179,398	193,270
Gross profit	69,901	51,602	43,424	62,454	64,107
Selling, general and administrative expenses	27,917	24,480	24,806	27,159	26,682
Insurance arrangement termination charge	-	-	-	-	1,316
Asset impairment charge	-	-	3,967	-	-
Realignment and severance charges (Note 12)	1,312	-	2,290	1,362	-
Earnings from operations	40,672	27,122	12,361	33,933	36,109
Interest and other income, net	645	1,062	6,648	9,361	8,033
Earnings from continuing operations before income taxes	41,317	28,184	19,009	43,294	44,142
Income tax provision from continuing operations	8,696	2,825	495	8,615	4,351
Net earnings from continuing operations	32,621	25,359	18,514	34,679	39,791
Gain from discontinued operations (Note 11)	-	-	16,486	-	-
Net earnings	\$ 32,621	\$ 25,359	\$ 35,000	\$ 34,679	\$ 39,791
Basic earnings per share:					
Net earnings from continuing operations	\$ 1.58	\$ 1.24	\$ 0.90	\$ 1.71	\$ 1.97
Gain from discontinued operations	-	-	0.81	-	-
Basic earnings per share	\$ 1.58	\$ 1.24	\$ 1.71	\$ 1.71	\$ 1.97
Diluted earnings per share:					
Net earnings from continuing operations	\$ 1.58	\$ 1.23	\$ 0.90	\$ 1.70	\$ 1.96
Gain from discontinued operations	-	-	0.81	-	-
Diluted earnings per share	\$ 1.58	\$ 1.23	\$ 1.71	\$ 1.70	\$ 1.96
Cash dividends per common share					
	\$ 1.40	\$ 0.36	\$ 0.32	\$ 1.82	\$ 1.32

Weighted average number of
common shares outstanding:

Basic	20,628	20,522	20,441	20,305	20,175
Diluted	20,675	20,547	20,486	20,364	20,317

BALANCE SHEET
INFORMATION:

Working capital	\$ 271,706	\$ 261,036	\$ 239,645	\$ 239,060	\$ 233,767
Total assets	353,808	343,104	327,579	327,407	321,922
Long-term debt	-	-	-	-	-
Stockholders' equity	325,308	316,098	295,709	269,172	264,167

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

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

General:

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

The Company's total net sales increased in the fiscal year ended February 27, 2011 compared to the fiscal year ended February 28, 2010 as a result of increases in sales of the Company's printed circuit materials products in North America, Asia and Europe, following declines in the Company's total net sales in the fiscal year ended February 28, 2010 compared to the fiscal year ended March 1, 2009 and in the fiscal year ended March 1, 2009 compared to the fiscal year ended March 2, 2008 as a result of decreases in sales of the Company's printed circuit materials products in all three regions.

In the 2011 fiscal year, the increase in sales of the Company's printed circuit materials products compared to the prior fiscal year was accompanied by a slight increase in sales of the Company's advanced composite materials, parts and assemblies products compared to the prior fiscal year. In the 2010 fiscal year, the decrease in sales of the Company's printed circuit materials products compared to the prior fiscal year was accompanied by a decrease in sales of the Company's advanced composite materials, parts and assemblies products compared to the prior fiscal year.

As a result of the increase in the Company's total net sales in the 2011 fiscal year compared to the 2010 fiscal year, the Company's earnings from operations in the 2011 fiscal year were higher than in the 2010 fiscal year as the Company's gross profit margin, measured as a percentage of sales, improved to 33.0% in the 2011 fiscal year compared to 29.4% in the 2010 fiscal year. The Company's operating and earnings performances during the 2011 fiscal year also benefited from higher percentages of sales of higher margin, high performance printed circuit materials during the 2011 fiscal year. However, the Company's operating and earnings performances were adversely affected by losses incurred at the Company's Park Aircraft Technologies Corp. business unit in Newton, Kansas in the 2011 fiscal year as well as in the 2010 fiscal year.

The Company's earnings from operations in the 2011 fiscal year were reduced by the pre-tax charge of \$1.3 million recorded by the Company in the three-month period ended November 28, 2010 related to the closure, in January of 2009, of the operations of Neltec Europe SAS, the Company's digital electronic materials business unit located in Mirebeau, France.

Despite the declines in the Company's total net sales in the 2010 fiscal year compared to the 2009 fiscal year, the Company's earnings from operations in the 2010 fiscal year were higher than in the 2009 fiscal year as the Company's gross profit margins, measured as percentages of sales, improved to 29.4% in the 2010 fiscal year compared to 21.7% in the 2009

fiscal year. The Company's operating and earnings performances during the 2010 fiscal year benefited from higher percentages of sales of higher margin, high performance printed circuit materials during the 2010 fiscal year and lower costs resulting from the workforce reductions at the Nelco Products, Inc., Neltec, Inc. and Nelco Products Pte. Ltd. business units and the closures of the New England Laminates Co., Inc. and Neltec Europe SAS business units in the 2009 fiscal year, all described elsewhere in this Discussion. However, the gross profit margin improvements during the 2010 fiscal year were partially offset by losses incurred at the Company's Park Aircraft Technologies Corp. business unit in Newton, Kansas.

The Company's net earnings in the 2011 fiscal year were substantially higher than its net earnings in the 2010 fiscal year as a result of the Company's strong operating performance in the 2011 fiscal year and despite the aforementioned \$1.3 million charge and despite the higher income tax provision in the 2011 fiscal year than in the 2010 fiscal year.

The Company's net earnings for the 2010 fiscal year were lower than its net earnings for the 2009 fiscal year as a result of the lower net sales in the 2010 fiscal year and the significantly lower interest income in the 2010 fiscal year than in the 2009 fiscal year, and the Company's net earnings for the 2009 fiscal year were significantly increased by the discontinued operations benefit of \$16.5 million described elsewhere in this Discussion.

The Company's net earnings for the 2010 fiscal year were impacted by a tax benefit of \$3.1 million for the reduction of certain deferred tax liabilities in Singapore related to a temporary tax incentive for offshore interest repatriation and by a charge of \$1.2 million of additional tax reserves in the United States, both recorded in the fourth quarter of the 2010 fiscal year. Such earnings were also impacted by a \$0.9 million tax benefit primarily for a retroactive extension of a development and expansion tax incentive in Singapore, recorded in the third quarter of the 2010 fiscal year.

The Company's net earnings for the 2009 fiscal year were significantly increased by a discontinued operations benefit of \$16.5 million recorded by the Company in the 2009 fiscal year fourth quarter related to the elimination of a liability from discontinued operations of the Company's Dielektra GmbH subsidiary located in Germany as a result of certain legal proceedings in Germany. The Company's earnings were also increased by a tax benefit of \$4.7 million recorded by the Company in the 2009 fiscal year fourth quarter related to the adjustment of certain valuation allowances and by a tax benefit of \$1.2 million recorded by the Company in the 2009 fiscal year fourth quarter related to one-time pre-tax charges also recorded by the Company in such quarter for the aforementioned closure of the Company's New England Laminates Co., Inc. business unit and the closure of the Company's Neltec Europe SAS electronic materials business unit located in Mirebeau, France and for a workforce reduction and an asset impairment at the Company's Nelco Products Pte. Ltd. electronic materials and advanced composite materials business unit in Singapore. Such benefits were partially offset by the one-time pre-tax charges of \$5.7 million recorded by the Company in the 2009 fiscal year fourth quarter related to the aforementioned business unit closures, workforce reduction and asset impairment and by a one-time pre-tax charge of \$0.6 million recorded by the Company in the 2009 fiscal year third quarter related to restructurings at certain of its North American and European business units.

Because the markets for the Company's printed circuit materials products in the 2010 and 2009 fiscal years had contracted from the levels that existed in the 2008 fiscal year, sales of the Company's printed circuit materials products decreased in the 2010 fiscal year compared to the 2009 fiscal year and in the 2009 fiscal year compared to the 2008 fiscal year. However, the markets in North America, Asia and Europe for the Company's printed circuit materials products strengthened in the 2010 fiscal year third and fourth quarters after prevailing weakness in the 2010 fiscal year first and second quarters, and such strength continued in the 2011 fiscal year first, second and fourth quarters.

The markets for the Company's advanced composite materials, parts and assemblies products weakened during the 2009 fiscal year third and fourth quarters, and such weakness continued during the 2010 fiscal year. Such markets showed some small signs of improvement during the 2011 fiscal year.

The global markets for the Company's printed circuit materials products continue to be very difficult to forecast, and it is not clear to the Company what the condition of the global markets for the Company's printed circuit materials products will be in the 2012 fiscal year. Further, the Company is not able to predict the impact the current global economic and financial conditions will have on the markets for its advanced composite materials, parts and assemblies products in the 2012 fiscal year.

As previously reported, in the first quarter of the Company's 2009 fiscal year, the Company acquired substantially all the assets and business of Nova Composites, Inc., a manufacturer of composite parts and assemblies and the tooling for such parts and assemblies, located in Lynnwood, Washington, for a cash purchase price of \$4.5 million paid at the closing of the acquisition and up to an additional \$5.5 million payable over five years depending on the achievement of specified earn-out objectives. The Company paid an additional \$1.0 million in the 2010 fiscal year second quarter and an additional \$1.1 million in the 2011 fiscal year first quarter, leaving up to an additional \$3.3 million payable over three years, as of February 27, 2011, depending on the achievement of the earn-out objectives. In the first quarter of the 2012 fiscal year, the Company paid an additional \$1.1 million for such acquisition.

In addition, in the fourth quarter of the Company's 2009 fiscal year, the Company completed the construction of a new development and manufacturing facility in Newton, Kansas to produce advanced composite materials principally for the aircraft and space vehicle industries. The Company spent approximately \$15 million on the facility and equipment in Kansas. In the third quarter of the Company's 2010 fiscal year, the Company commenced construction of a major expansion of its facility in Kansas in order to manufacture composite parts and assemblies for the aircraft and space vehicle industries. The expansion includes approximately 37,000 square feet of manufacturing and storage space, and the Company is spending approximately \$5 million on the expansion. The Company has completed construction of the expansion and is in the final stages of installing equipment in the expanded facility, and the Company expects the expansion to be operational by the third quarter of the 2012 fiscal year.

In the fourth quarter of the 2009 fiscal year, the Company recorded a discontinued operation benefit of \$16.5 million related to the elimination of a liability from discontinued operations of the Company's Dielektra GmbH subsidiary located in Germany as a result of certain legal proceedings in Germany.

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

The Company recorded a pre-tax charge of \$1.3 million in the three-month period ended November 28, 2010 related to the closure, in January of 2009, of the operations of Neltec Europe SAS, the Company's digital electronic materials business unit located in Mirebeau, France. The Company previously recorded a pre-tax charge of \$4.1 million, reduced by \$4.0 million of non-cash cumulative currency translation adjustment recapture, in connection with such closure in the fourth quarter of its fiscal year ended March 1, 2009. The additional charge in the 2011 fiscal year third quarter was based on updated estimates of the total costs to complete the closure of the Neltec Europe SAS business unit as a result of recent additional information regarding such costs, including recent developments relating to certain employment litigation initiated in France after the closure and other expenses in excess of the original estimates. The closure of Neltec Europe SAS in January of 2009 was a major component of restructurings of the operations of the Company's Neltec Europe SAS and Neltec SA business units in the fourth quarter of the 2009 fiscal year in response to the continuing serious erosion of the markets for electronic materials in Europe and the continuing migration of such markets to Asia. The market for such products in Europe had eroded to the point where the Company believed it was not possible for the Neltec Europe SAS business to be viable, and as a major component of such restructurings, Neltec Europe SAS closed completely its operations. Although the Company is continuing the operations of its Neltec SA RF/microwave electronic materials business unit, the restructurings included a reorganization of certain of the activities of Neltec SA.

In addition to the restructurings of its Neltec Europe SAS and Neltec SA business units in France, the Company implemented workforce reductions at its Nelco Products, Inc. electronic materials business unit located in Fullerton, California and its Neltec, Inc. electronics circuitry materials business unit located in Tempe, Arizona in the third quarter of its 2009 fiscal year and recorded a charge of \$0.6 million in such quarter for such workforce reductions and for the restructuring at its Neltec SA business unit in Lannemezan, France.

In addition, in the 2009 fiscal year fourth quarter, the Company implemented a workforce reduction at its Nelco Products Pte. Ltd. electronics circuitry materials and advanced composite materials business unit located in Singapore and recorded a charge of \$0.2 million in the fourth quarter of the 2009 fiscal year for such workforce reduction.

Also, in the 2009 fiscal year fourth quarter, the Company's New England Laminates Co., Inc. electronic materials business unit located in Newburgh, New York closed its operations in response to the very serious erosion of the markets for electronic materials in North America, and as the result of this closure, the Company recorded a one-time pre-tax charge of \$1.2 million in the fourth quarter of the 2009 fiscal year.

Since the closures of the Neltec Europe SAS and New England Laminates Co., Inc. business units, the Company has been supplying and supporting customers of such business units from the Company's electronic materials operations in Fullerton, California, Tempe, Arizona and Lannemezan, France.

The total one-time pre-tax charges related to the restructurings of the Company's Neltec Europe SAS and Neltec SA business units in the 2009 fiscal year, the workforce reductions at the Nelco Products, Inc., Neltec, Inc. and Nelco Products Pte. Ltd. business units and the closures of the New England Laminates Co., Inc. and the Neltec Europe SAS business units, all described above, and related to an asset impairment at the Company's business unit in Singapore recorded by the Company in the 2009 fiscal year were \$6.3 million, net of the recapture of non-cash cumulative currency translation adjustments totaling \$4.0 million recognized by the Company in the 2009 fiscal year fourth quarter relating to the closure of the Neltec Europe SAS business unit.

Fiscal Year 2011 Compared with Fiscal Year 2010:

The Company's total net sales worldwide increased in the fiscal year ended February 27, 2011 compared to the fiscal year ended February 28, 2010 principally as a result of increases in net sales of the Company's printed circuit materials products in North America, Asia and Europe. The Company's net sales of its advanced composite materials, parts and assemblies products in the 2011 fiscal year were almost unchanged from the levels in the 2010 fiscal year.

The Company's gross profit and its gross profit margin improved in the 2011 fiscal year compared to the 2010 fiscal year. The gross profit margin improved to 33.0% in the 2011 fiscal year compared to 29.4% in the 2010 fiscal year as a result of operating efficiencies resulting from the higher total net sales in the 2011 fiscal year and as a result of a higher percentage of sales of higher margin, high performance printed circuit materials products in the 2011 fiscal year.

The Company's earnings from operations in the 2011 fiscal year were adversely affected by the pre-tax charge of \$1.3 million recorded by the Company in the three-month period ended November 28, 2010 related to the closure, in January of 2009, of the operations of Neltec Europe SAS, the Company's digital electronic materials business unit located in Mirebeau, France, and the Company's net earnings in the 2011 fiscal year were adversely affected by such charge and by the higher income tax provision in the 2011 fiscal year than in the 2010 fiscal year.

The Company's net earnings for the 2010 fiscal year were impacted by a tax benefit of \$3.1 million for the reduction of certain deferred tax liabilities in Singapore related to a temporary tax incentive for offshore interest repatriation and by a charge of \$1.2 million for additional tax reserves in the United States, both recorded in the fourth quarter of the 2010 fiscal year. Such earnings were also impacted by a \$0.9 million tax benefit primarily for a retroactive extension of a development and expansion tax incentive in Singapore, recorded in the third quarter of the 2010 fiscal year.

The Company's earnings from operations and net earnings in both the 2011 and 2010 fiscal years were reduced by losses incurred at the Company's Park Aircraft Technologies Corp. business unit in Newton, Kansas.

Results of Operations

The Company's total net sales worldwide for the fiscal year ended February 27, 2011 increased 20% to \$211.7 million from \$175.7 million for the fiscal year ended February 28, 2010. The increase in net sales was the result of higher unit volumes of printed circuit materials products shipped by the Company's operations in North America, Asia and Europe. Total net sales of the Company's advanced composite materials, parts and assemblies products increased to \$23.3 million in the 2011 fiscal year from \$23.2 million in the 2010 fiscal year and comprised 11% and 13%, respectively, of the Company's total net sales worldwide in the 2011 and 2010 fiscal years.

The Company's foreign sales were \$112.8 million, or 53% of the Company's total net sales worldwide, during the 2011 fiscal year, compared to \$88.3 million of sales, or 50% of total net sales worldwide, during the 2010 fiscal year and 48% of total net sales worldwide during the 2009 fiscal year. The Company's foreign sales during the 2011 fiscal year increased 28% from the 2010 fiscal year primarily as a result of increases in sales in Europe and Asia.

For the fiscal year ended February 27, 2011, the Company's sales in North America, Asia and Europe were 47%, 43% and 10%, respectively, of the Company's total net sales worldwide compared to 50%, 40% and 10%, respectively, for the fiscal year ended February 28, 2010. The Company's sales in North America increased 18%, its sales in Asia increased 41% and its sales in Europe increased 32% in the 2011 fiscal year compared to the 2010 fiscal year.

The gross profit as a percentage of net sales for the Company's worldwide operations improved to 33.0% during the 2011 fiscal year compared to 29.4% during the 2010 fiscal year. The improvement in the gross profit margin was attributable primarily to operating efficiencies resulting from the higher total net sales in the 2011 fiscal year as well as to the higher percentage of sales of higher margin, high performance printed circuit materials products in the 2011 fiscal year.

During the fiscal year ended February 27, 2011, 74% of the Company's total net sales worldwide of printed circuit materials consisted of high performance printed circuit materials, compared to 68% for the 2010 fiscal year.

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

The Company's cost of sales increased by 14% in the 2011 fiscal year from the 2010 fiscal year as a result of higher sales and higher production volumes in the 2011 fiscal year than in the 2010 fiscal year, but the Company's cost of sales as a percentage of net sales decreased to 67.0% in the 2011 fiscal year from 70.6% in the 2010 fiscal year resulting in a gross profit margin increase from 29.4% to 33.0%, which was attributable to operating efficiencies resulting from the higher total net sales in the 2011 fiscal year as well as to the higher percentage of sales of higher margin,

high performance printed circuit materials products in the 2011 fiscal year than in the 2010 fiscal year.

Selling, general and administrative expenses increased by \$3.4 million, or by 14%, during the 2011 fiscal year compared to the 2010 fiscal year, but these expenses, measured as a percentage of sales, were 13.2% during the 2011 fiscal year compared to 14.0% during the 2010 fiscal year. The increase in such expenses in the 2011 fiscal year was attributable primarily to increases in freight costs and commissions, which vary with shipments, and increases in legal fees and expenses. Selling, general and administrative expenses included \$1.0 million for the 2011 fiscal year for stock option expenses compared to \$1.1 million for the 2010 fiscal year.

The Company's earnings from operations in both the 2011 and 2010 fiscal years were reduced by losses incurred at the Company's Park Aircraft Technologies Corp. business unit in Newton, Kansas.

In the 2011 fiscal year third quarter, the Company recorded a pre-tax charge of \$1.3 million related to the closure, in January of 2009, of the operations of Neltec Europe SAS, the Company's digital electronic materials business unit located in Mirebeau, France.

For the reasons set forth above, the Company's earnings from operations for the 2011 fiscal year were \$40.7 million, including the \$1.3 million charge related to the closure of Neltec Europe SAS in January of 2009, compared to earnings from operations for the 2010 fiscal year of \$27.1 million.

Interest and other income, net, principally investment income, declined 39% to \$0.6 million for the 2011 fiscal year from \$1.1 million for the 2010 fiscal year. The decline in investment income was attributable primarily to lower prevailing interest rates, partially offset by higher levels of cash available for investment, during the 2011 fiscal year than during the 2010 fiscal year. The Company's investments were primarily in short-term instruments and money market funds. The Company incurred no interest expense during the 2011 or 2010 fiscal years. See "Liquidity and Capital Resources" elsewhere in this Item 7.

The Company's effective income tax rate was 21.0% for the 2011 fiscal year compared to 10.0% for the 2010 fiscal year. The Company's effective income tax rate for the 2010 fiscal year was impacted by a tax benefit of \$3.1 million for the reduction of certain deferred tax liabilities in Singapore related to a temporary tax incentive for offshore interest repatriation and by a charge of \$1.2 million for additional tax reserves in the United States, both recorded in the fourth quarter of the 2010 fiscal year. Such effective tax rate was also impacted by a \$0.9 million tax benefit primarily for a retroactive extension of a development and expansion tax incentive in Singapore, recorded in the third quarter of the 2010 fiscal year. Such tax benefits and charge reduced the effective income tax rate by 10.0 percentage points in the 2010 fiscal year.

The Company's net earnings for the 2011 fiscal year, including the \$1.3 million charge described above, were \$32.6 million compared to net earnings for the 2010 fiscal year, including the tax benefits and charge described above, of \$25.4 million. The net impact of the charge described above was to reduce net earnings by \$1.3 million for the 2011 fiscal year, and the net impact of the tax benefits and charge described above was to increase net earnings by \$2.2 million for the 2010 fiscal year.

Basic and diluted earnings per share, including the charge described above, were \$1.58 for the 2011 fiscal year compared to basic and diluted earnings per share of \$1.24 and \$1.23, respectively, including the tax benefits and charge described above, for the 2010 fiscal year. The net impact of the charge described above was to reduce basic and diluted earnings per share by \$ 0.07 for the 2011 fiscal year, and the net impact of the tax benefits and charge described above was to increase basic and diluted earnings per share by \$ 0.10 for the 2010 fiscal year.

Fiscal Year 2010 Compared with Fiscal Year 2009:

The Company's total net sales worldwide declined in the fiscal year ended February 28, 2010 compared to the fiscal year ended March 1, 2009 principally as a result of declines in net sales of the Company's printed circuit materials products in North America, Europe and Asia.

The Company's net sales of its advanced composite materials products also declined in the 2010 fiscal year compared to the 2009 fiscal year, while net sales of the Company's composite parts and assemblies products increased in the 2010 fiscal year. Total net sales of the Company's advanced composite materials products and its composite parts and assemblies products comprised 13% of the Company's total net sales worldwide in both the 2010 and 2009 fiscal years.

The Company's gross profit and its gross profit margin improved in the 2010 fiscal year compared to the 2009 fiscal year. The gross profit margin improved to 29.4% in the 2010 fiscal year compared to 21.7% in the 2009 fiscal year principally as a result of higher percentages of sales of higher margin, high performance printed circuit materials products in the 2010 fiscal year and the benefits resulting from the workforce reductions at the Nelco Products, Inc., Neltec, Inc. and Nelco Products Pte. Ltd. business units and the closures of the New England Laminates Co., Inc. and Neltec Europe SAS business units in the 2009 fiscal year, all described elsewhere in this Discussion. Gross profit margin improvements during the 2010 fiscal year were partially offset by costs incurred at the Company's Park Aircraft Technologies Corp. business unit in Newton, Kansas in connection with the start-up of its operations.

The Company's net earnings for the 2010 fiscal year were impacted by a tax benefit of \$3.1 million for the reduction of certain deferred tax liabilities in Singapore related to a temporary tax incentive for offshore interest repatriation and by a charge of \$1.2 million for additional tax reserves in the United States, both recorded in the fourth quarter of the 2010 fiscal year. Such earnings were also impacted by a \$0.9 million tax benefit primarily for a retroactive extension of a development and expansion tax incentive in Singapore, recorded in the third quarter of the 2010 fiscal year.

The Company's earnings in the 2009 fiscal year were enhanced by a tax benefit of \$4.7 million recorded by the Company in the 2009 fiscal year fourth quarter related to the adjustment of certain valuation allowances and by a tax benefit of \$1.2 million recorded by the Company in the 2009 fiscal year fourth quarter related to one-time pre-tax charges also recorded by the Company in such quarter for the closure of the Company's New England Laminates Co., Inc. business unit and the closure of the Company's Neltec Europe SAS electronic materials business unit located in Mirebeau, France and for a workforce reduction and an asset impairment at the Company's Nelco

Products Pte. Ltd. electronic materials and advanced composite materials business unit in Singapore. Such benefits were offset by the one-time pre-tax charges of \$5.7 million recorded by the Company in the 2009 fiscal year fourth quarter related to the aforementioned business unit closures, workforce reduction and asset impairment and a one-time pre-tax charge of \$0.6 million recorded by the Company in the 2009 fiscal year third quarter related to restructurings at certain of its North American and European business units.

The Company's net earnings in the 2009 fiscal year were also significantly increased by a discontinued operations benefit of \$16.5 million recorded by the Company in the 2009 fiscal year fourth quarter related to the elimination of a liability from discontinued operations of the Company's Dielektra GmbH subsidiary located in Germany.

Results of Operations

The Company's total net sales worldwide for the fiscal year ended February 28, 2010 declined 12% to \$175.7 million from \$200.1 million for the fiscal year ended March 1, 2009. The decline in net sales was the result of decreased sales of the Company's printed circuit materials in North America, Europe and Asia and decreased sales of the Company's advanced composite materials, parts and assemblies, which were only partially offset by increased sales of the Company's high performance printed circuit materials.

The Company's foreign sales were \$88.3 million, or 50% of the Company's total net sales worldwide, during the 2010 fiscal year, compared to \$96.3 million of sales, or 48% of total net sales worldwide, during the 2009 fiscal year and 50% of total net sales worldwide during the 2008 fiscal year. The Company's foreign sales during the 2010 fiscal year decreased 8% from the 2009 fiscal year primarily as a result of decreases in sales in Europe and Asia.

For the fiscal year ended February 28, 2010, the Company's sales in North America, Asia and Europe were 50%, 40% and 10%, respectively, of the Company's total net sales worldwide compared with 52%, 37% and 11%, respectively, for the fiscal year ended March 1, 2009. The Company's sales in Europe declined 19%, its sales in North America declined 16% and its sales in Asia declined 5% in the 2010 fiscal year compared to the 2009 fiscal year.

The gross profit as a percentage of net sales for the Company's worldwide operations improved to 29.4% during the 2010 fiscal year compared to 21.7% during the 2009 fiscal year. The improvement in the gross profit margin was attributable primarily to higher percentages of sales of higher margin, high performance printed circuit materials products and advanced composite materials, parts and assemblies in the 2010 fiscal year and the benefits resulting from the workforce reductions at the Nelco Products, Inc., Neltec, Inc. and Nelco Products Pte. Ltd. business units and the closures of the New England Laminates Co., Inc. and Neltec Europe SAS business units in the 2009 fiscal year, all described elsewhere in this Discussion. The gross profit margin improvement during the 2010 fiscal year was partially offset by costs incurred at the Company's Park Aircraft Technologies Corp. business unit in Newton, Kansas in connection with the start-up of its operations.

During the fiscal years ended February 28, 2010 and March 1, 2009, the Company's total net sales worldwide of high temperature printed circuit materials, which included high performance materials (non-FR4 printed circuit

materials), were 100% of the Company's total net sales worldwide of printed circuit materials.

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 and high bandwidth signal integrity, bismalimide triazine ("BT") materials, polyimides for applications that demand extremely high thermal performance, cyanate esters, quartz reinforced materials, and PTFE and modified epoxy materials for RF/microwave systems that operate at frequencies up to 77GHz.

During the fiscal year ended February 28, 2010, the Company's total net sales worldwide of high performance printed circuit materials were 69% of the Company's total net sales worldwide of printed circuit materials, compared with 61% for the 2009 fiscal year.

The Company's cost of sales decreased by 21% in the 2010 fiscal year from the 2009 fiscal year as a result of lower sales and lower production volumes in the 2010 fiscal year than in the 2009 fiscal year. Consequently, the Company's cost of sales as a percentage of net sales decreased to 70.6% in the 2010 fiscal year from 78.3% in the 2009 fiscal year resulting in a gross profit margin increase from 21.7% to 29.4%, which was attributable to higher percentages of sales of higher margin, high performance printed circuit materials products and advanced composite materials, parts and assemblies in the 2010 fiscal year and the benefits resulting from the workforce reductions at the Nelco Products, Inc., Neltec, Inc. and Nelco Products Pte. Ltd. business units and the closures of the New England Laminates Co., Inc. and Neltec Europe SAS business units in the 2009 fiscal year, all described elsewhere in this Discussion. Gross profit margin improvements during the 2010 fiscal year were partially offset by costs incurred at the Company's Park Aircraft Technologies Corp. business unit in Newton, Kansas in connection with the start-up of its operations.

Selling, general and administrative expenses decreased by \$0.3 million, or by 1%, during the 2010 fiscal year compared to the 2009 fiscal year, but these expenses, measured as a percentage of sales, were 14.0% during the 2010 fiscal year compared to 12.4% during the 2009 fiscal year. The decrease in such expenses in the 2010 fiscal year was attributable primarily to reduced costs in the 2010 fiscal year compared to the prior fiscal year resulting from the closures of the Neltec Europe SAS and New England Laminates Co., Inc. business units. The higher percentage in the 2010 fiscal year was the result of lower sales in such year. Selling, general and administrative expenses included \$1.1 million for the 2010 fiscal year for stock option expenses compared to \$1.2 million for the 2009 fiscal year.

In the 2009 fiscal year fourth quarter, the Company recorded one-time pre-tax charges of \$5.7 million related to the closure of the Company's New England Laminates Co., Inc. electronic materials business unit located in Newburgh, New York and the closure of the Company's Neltec Europe SAS electronic materials business unit located in Mirebeau, France and related to a workforce reduction and an asset impairment at the Company's Nelco Products Pte. Ltd. electronic materials and advanced composite materials business unit in Singapore, and recognized tax benefits of \$1.2 million related to these charges and a tax benefit of \$4.7 million related to the elimination of valuation allowances resulting principally from the aforementioned closure of the Company's New England Laminates Co., Inc. business unit. In the 2009 fiscal year third quarter, the Company recorded a pre-tax charge of \$0.6

million related to the restructurings at certain of its North American and European business units.

For the reasons set forth above, the Company's earnings from operations for the 2010 fiscal year were \$27.1 million compared to earnings from continuing operations for the 2009 fiscal year, including the charges described above relating to the facility closures and asset impairment and the restructurings at certain of the Company's North American and European business units, of \$12.4 million. The net impact of the charges described above was to increase earnings by \$2.2 million for the 2010 fiscal year and to decrease earnings from continuing operations by \$6.3 million for the 2009 fiscal year.

Interest and other income, net, principally investment income, declined 84% to \$1.1 million for the 2010 fiscal year from \$6.6 million for the 2009 fiscal year. The decline in investment income was attributable primarily to lower prevailing interest rates, partially offset by higher levels of cash available for investment, during the 2010 fiscal year than during the 2009 fiscal year. The Company's investments were primarily in short-term instruments and money market funds. The Company incurred no interest expense during the 2010 or 2009 fiscal years.

The Company's effective income tax rate was 10.0% for the 2010 fiscal year compared to 2.6% for the 2009 fiscal year. The tax benefits and charges described above reduced the effective income tax rates by 10.0 and 22.8 percentage points in the 2010 and 2009 fiscal years, respectively. The Company's effective income tax rate for the 2010 fiscal year was impacted by a tax benefit of \$3.1 million for the reduction of certain deferred tax liabilities in Singapore related to a temporary tax incentive for offshore interest repatriation and by \$1.2 million of additional tax reserves in the United States, both recorded in the fourth quarter of the 2010 fiscal year. Such effective tax rate was also impacted by a \$0.9 million tax benefit primarily for a retroactive extension of a development and expansion tax incentive in Singapore, recorded in the third quarter of the 2010 fiscal year.

The Company's net earnings for the 2010 fiscal year, including the tax benefits and charge described above, were \$25.4 million compared to net earnings from continuing operations for the 2009 fiscal year, including the charges described above and the tax benefits described above relating to the facility closure and asset impairment charges and to the adjustment of valuation allowances, of \$18.5 million. The net impacts of the tax benefits and charges described above were to increase net earnings by \$2.2 million for the 2010 fiscal year and to increase net earnings from continuing operations by \$0.3 million for the 2009 fiscal year.

In the 2009 fiscal year fourth quarter, the Company also recorded a discontinued operations benefit of \$16.5 million related to the elimination of a liability from discontinued operations of its Dielektra GmbH subsidiary located in Germany.

The Company's net earnings from continuing operations for the 2010 fiscal year, including the tax benefits and charge described above, were \$25.4 million compared to net earnings for the 2009 fiscal year, including the charges and tax benefits described above and the discontinued operations benefit described above, of \$35.0 million. The net impact of the tax benefits and charges described above was to increase net earnings by \$2.2 million for the 2010 fiscal year, and the net impact of the charges and tax benefits

described above and the discontinued operations benefit described above was to increase net earnings by \$16.8 million for the 2009 fiscal year.

Basic and diluted earnings per share, including the tax benefits and charge described above, were \$1.24 and \$1.23, respectively, for the 2010 fiscal year compared to basic and diluted earnings per share of \$1.71, including the charges and tax benefits described above and the discontinued operations benefit described above, for the 2009 fiscal year. The net impact of the tax benefits and charge described above was to increase basic and diluted earnings per share by \$0.10 for the 2010 fiscal year, and the net impact of the charges, tax benefits and discontinued operations benefit described above was to increase basic and diluted earnings per share by \$0.79 for the 2009 fiscal year.

Liquidity and Capital Resources:

At February 27, 2011, the Company's cash and marketable securities were \$250.4 million compared to \$237.8 million at February 28, 2010, the end of the Company's 2010 fiscal year. The Company's working capital (which includes cash and marketable securities) was \$271.7 million at February 27, 2011 compared to \$261.0 million at February 28, 2010. The increase in working capital at February 27, 2011 compared to February 28, 2010 was due principally to the increase in cash and marketable securities and increases in inventories and other current assets partially offset by a decrease in accounts receivable and increases in accrued liabilities and income taxes payable.

The change in cash and marketable securities at February 27, 2011 compared to February 28, 2010 was the result of cash provided by operating activities and a number of additional factors, including the following. Inventories increased 8% at February 27, 2011 compared to February 28, 2010 primarily due to an increase in the values of raw materials and finished goods inventories, caused largely by an increase in the cost of raw materials. The 226% increase in other current assets at February 27, 2011 compared to February 28, 2010 was attributable primarily to a receivable resulting from the sale of the building at the Neltec Europe SAS business unit in Mirebeau, France, increases in deferred tax assets, prepaid insurance and value added tax receivables, primarily in Singapore, and higher interest receivables at February 27, 2011. Accounts receivable were 6% lower at February 27, 2011 than at February 28, 2010 as a result of the timing of sales during the fourth quarter of the 2011 fiscal year compared to the 2010 fiscal year fourth quarter. Accrued liabilities increased by 30% at February 27, 2011 compared to February 28, 2010 primarily as a result of the additional charge related to the closure of the Company's Neltec Europe SAS business unit and payroll related benefits. Income taxes payable were 40% higher at February 27, 2011 than at February 28, 2010 as a result of higher taxable income in jurisdictions with higher income tax rates and increased tax rates in certain jurisdictions. In addition, as described below, the Company paid \$28.9 million in cash dividends during the 2011 fiscal year.

The Company's current ratio (the ratio of current assets to current liabilities) was 11.8 to 1 at February 27, 2011 compared with 13.1 to 1 at February 28, 2010.

During the 2011 fiscal year, net earnings from the Company's operations, before depreciation and amortization and stock-based compensation, increased by a net reduction in working capital items, resulted in \$41.5 million of cash provided by operating activities. During such year, the Company expended a net amount of \$2.9 million for the purchase of property, plant and equipment, primarily for the expansion of the Company's

development and manufacturing facility in Newton, Kansas and for the installation of an additional advanced, high-speed treater at the Company's business unit in Singapore, and expended \$1.1 million as additional payment for the acquisition of substantially all the assets and business of Nova Composites, Inc., compared to a net amount of \$3.4 million during the 2010 fiscal year for the purchase of property, plant and equipment, primarily for the Company's facility in Newton, Kansas, and \$1.0 million as an additional payment for the acquisition of substantially all the assets and business of Nova Composites, Inc. In addition, the Company paid \$28.9 million in dividends on its common stock in the 2011 fiscal year, including a special cash dividend of \$20.7 million paid in the 2011 fiscal year fourth quarter, compared to \$7.4 million in the 2010 fiscal year. The Company increased its quarterly cash dividend from \$0.08 per share to \$0.10 per share in the 2010 fiscal year third quarter. During the 2010 fiscal year, net earnings from the Company's operations and a net increase in working capital items resulted in \$22.9 million of cash provided by operating activities.

Net expenditures for property, plant and equipment were \$2.9 million, \$3.4 million and \$12.2 million in the 2011, 2010 and 2009 fiscal years, respectively.

In the first quarter of the Company's 2009 fiscal year, the Company acquired substantially all the assets and business of Nova Composites, Inc., a manufacturer of aircraft composite parts and the tooling for such parts, located in Lynnwood, Washington, for a cash purchase price of \$4.5 million paid at the closing of the acquisition and up to an additional \$5.5 million payable over five years depending on the achievement of specified earn-out objectives. The Company paid an additional \$1.0 million for such acquisition in the second quarter of the 2010 fiscal year and an additional \$1.1 million in the first quarter of the 2011 fiscal year, leaving up to an additional \$3.3 million payable over three years, as of February 27, 2011, depending on the achievement of the earn-out objectives. In the first quarter of the 2012 fiscal year, the Company paid an additional \$1.1 million for such acquisition.

During the 2009 fiscal year, the Company expended approximately \$10.2 million for the construction of its new development and manufacturing facility in Newton, Kansas to produce advanced composite materials and for equipment for such facility. During the 2010 fiscal year, the Company expended approximately \$ 1.1 million for equipment for such facility and approximately \$1.1 million for the construction of an expansion of such facility to produce advanced composite parts and assemblies. During the 2011 fiscal year, the Company expended approximately \$0.3 million for equipment for such facility, approximately \$1.3 million for the construction of such expansion and approximately \$0.6 for equipment for such expanded facility.

At February 27, 2011 and February 28, 2010, 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, commitments to purchase equipment and services for the installation of an additional treater at the Company's electronic materials manufacturing facility in Singapore and to purchase equipment for the expansion of the Company's development and manufacturing facility in Newton, Kansas described in Note 14 of the Notes to Consolidated Financial Statements included elsewhere in this Report and the Company's obligation to pay up to an additional \$3.3 million over three years in connection with the acquisition of the assets and business of Nova Composites, Inc., described above. The Company has no long-term debt, capital lease obligations, unconditional purchase obligations or other long-term obligations, standby letters of credit, guarantees, standby repurchase obligations or other commercial commitments or contingent commitments, other than two standby letters of credit in the total amount of \$1.3 million to secure the Company's obligations under its workers' compensation insurance program.

As of February 27, 2011, the Company's significant contractual obligations, including payments due by fiscal year, were as follows:

Contractual Obligations (Amounts in thousands)	Total	2012	2013- 2014	2015- 2016	2017 and thereafter
Operating lease obligations	\$ 6,719	\$ 2,231	\$2,438	\$1,520	\$ 530
Equipment purchase obligations	1,422	1,422	-	-	-
Total	\$ 8,141	\$ 3,653	\$2,438	\$1,520	\$ 530

At February 27, 2011, the Company had gross tax-affected unrecognized tax benefits of \$2.0 million. A reasonable estimate of timing of these liabilities is not possible.

Off-Balance Sheet Arrangements:

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

Environmental Matters:

The Company is subject to various Federal, state and local government 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 2010 and 2009 fiscal years, the Company reversed accruals of \$835,000 and \$638,000, respectively, for environmental remedial response and voluntary cleanup costs, which were recorded as reductions to selling, general and administrative expenses for such years, as a result of the Company's conclusion that the likelihood of any liability in connection with such accruals was remote. 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 27, 2011 and February 28, 2010, the amounts recorded in accrued liabilities for environmental matters were \$9,000 and \$9,000, respectively.

Management does not expect that environmental matters will have a material adverse effect on the liquidity, capital resources, business, consolidated results of operations or consolidated financial position of the Company. See Note 15 of the Notes to Consolidated Financial Statements included in Item 8 of Part II of this Report for a discussion of the Company's contingencies, including those related to environmental matters.

Critical Accounting Policies and Estimates:

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

General

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

The Company believes the following critical accounting policies affect its more significant judgments and estimates used in the preparation of its consolidated financial statements.

Revenue Recognition

The Company recognizes revenues when products are shipped and title has been transferred to a customer, the sales price is fixed and determinable,

and collection is reasonably assured. All material sales transactions are for the shipment of manufactured prepreg and laminate products and advanced composite materials, parts and assemblies.

Sales Allowances

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

Allowances for Doubtful Accounts

Accounts receivable are due within established payment terms and are stated at amounts due from customers net of an allowance for doubtful accounts. Accounts outstanding longer than established payment terms are considered past due. The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. The Company determines its allowance by considering a number of factors, including the length of time accounts receivable are past due, the Company's previous loss history, the customer's current ability to pay its obligation to the Company, and the condition of the general economy and the industry as a whole. If the financial condition of the Company's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The Company writes off accounts receivable when they become uncollectible.

Inventories

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

Valuation of Long-Lived Assets

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

Income Taxes

As part of the processes of preparing its consolidated financial statements, the Company is required to estimate the income taxes in each of the jurisdictions in which it operates. This process involves estimating the actual current tax expense together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included in the Company's Consolidated Balance Sheets. The carrying value of the Company's net deferred tax assets assumes that the Company will be able to generate sufficient future taxable income in certain tax jurisdictions, based on estimates and assumptions. If these estimates and assumptions change in the future, the Company may be required to record additional valuation allowances against its deferred tax assets resulting in additional income tax expense in the Company's consolidated statement of operations, or conversely to further reduce the existing valuation allowance resulting in less income tax expense. The Company evaluates the realizability of the deferred tax assets quarterly and assesses the need for additional valuation allowances quarterly.

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

Restructurings

The Company recorded a pre-tax charge of \$1.3 million in the three-month period ended November 28, 2010 related to the closure, in January of 2009, of the operations of Neltec Europe SAS, the Company's digital electronic materials business unit located in Mirebeau, France. The Company previously recorded a pre-tax charge of \$4.1 million in connection with such closure in the fourth quarter of its fiscal year ended March 1, 2009. The additional charge in the 2011 fiscal year third quarter was based on updated estimates of the total costs to complete the closure of the Neltec Europe SAS business unit as a result of recent additional information regarding such costs, including recent developments relating to certain employment litigation initiated in France after the closure and other expenses in excess of the original estimates. The closure of Neltec Europe SAS in January of 2009 was a major component of restructurings of the operations of the Company's Neltec Europe SAS and Neltec SA business units in the fourth quarter of the 2009 fiscal year. In addition, the Company recorded pre-tax charges of \$1.6 million in the fourth quarter of the fiscal year ended March 1, 2009 related to the closure of the Company's New England Laminates Co., Inc. electronic materials business unit located in Newburgh, New York and related to a workforce reduction and an asset impairment at the Company's

Nelco Products Pte. Ltd. electronic materials and advanced composite materials business unit in Singapore. In the 2009 fiscal year third quarter, the Company recorded a one-time pre-tax charge of \$0.6 million related to restructurings at certain of its North American and European business units. Such restructurings and workforce reductions are described in Note 12 of the Notes to Consolidated Financial Statements in Item 8 of Part II of this Report and elsewhere in this Discussion.

Contingencies

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

The \$1.3 million charge in the three-month period ended November 28, 2010 related to the closure, in January of 2009, of the Company's Neltec Europe SAS digital electronic materials business unit located in Mirebeau, France included an amount relating to certain employment litigation initiated in France after the closure. See Note 12 of the Notes to the Consolidated Financial Statements in Item 8 of Part II of this Report for additional information relating to the aforementioned charge.

The Company is obligated to pay up to an additional \$3.3 million over three years depending on the achievement of specified earn-out objectives in connection with the acquisition by the Company of substantially all the assets and business of Nova Composites, Inc., a manufacturer of composite parts and assemblies and the tooling for such parts and assemblies, located in Lynnwood, Washington, in addition to a cash purchase price of \$4.5 million at the closing of the acquisition on April 1, 2008 and payments of \$1.0 million in the 2010 fiscal year second quarter and \$1.1 million in the 2011 fiscal year first quarter.

Employee Benefit Programs

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

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

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

Factors That May Affect Future Results:

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements to encourage companies to provide prospective information about their companies without fear of litigation so long as those statements are identified as forward-looking and are accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those projected in the statement. Certain portions of this Report which do not relate to historical financial information may be deemed to constitute forward-looking statements that are subject to various factors which could cause actual results to differ materially from Park's expectations or from results which might be projected, forecasted, estimated or budgeted by the Company in forward-looking statements. The factors described under "Risk Factors" in Item 1A of this Report, as well as the following additional factors, could cause the Company's actual results to differ materially from any such results which might be projected, forecasted, estimated or budgeted by the Company in forward-looking statements.

- The Company's operating results are affected by a number of factors, including various factors beyond the Company's control. Such factors include economic conditions in the printed circuit materials, advanced composite materials and composite parts and assemblies industries, the timing of customer orders, product prices, process yields, the mix of products sold and maintenance-related shutdowns of facilities. Operating results also can be influenced by development and introduction of new products and the costs associated with the start-up of new facilities.
- The Company, from time to time, is engaged in the expansion of certain of its manufacturing facilities. The anticipated costs of such expansions cannot be determined with precision and may vary materially from those budgeted. In addition, such expansions will increase the Company's fixed costs. The Company's future profitability depends upon its ability to utilize its manufacturing capacity in an effective manner.
- The Company may acquire businesses, product lines or technologies that expand or complement those of the Company. The integration and management of an acquired company or business may strain the Company's management resources and technical, financial and operating systems. In addition, implementation of acquisitions can result in large one-time charges and costs. A given acquisition, if consummated, may materially affect the Company's business, financial condition and results of operations.
- The Company's success is dependent upon its relationships with key suppliers and customers and key management and technical personnel.
- The Company's future success depends in part upon its intellectual property which the Company seeks to protect through a combination of contract provisions, trade secret protections, copyrights and patents.

- The market price of the Company's securities can be subject to fluctuations in response to quarter to quarter variations in operating results, changes in analyst earnings estimates, market conditions in the printed circuit materials, advanced composite materials and composite parts and assemblies industries, as well as general economic conditions and other factors external to the Company.
- The Company's operating results could be affected by changes in the Company's accounting policies and practices or changes in the Company's organization, compensation and benefit plans, or changes in the Company's material agreements or understandings with third parties.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

The Company is exposed to market risks for changes in foreign currency exchange rates and interest rates. The Company's primary foreign currency exchange exposure relates to the translation of the financial statements of foreign subsidiaries using currencies other than the U.S. dollar as their functional currency. The Company does not believe that a 10% fluctuation in foreign exchange rates would have had a material impact on its consolidated results of operations or financial position. The exposure to market risks for changes in interest rates relates to the Company's short-term investment portfolio. This investment portfolio is managed in accordance with guidelines issued by the Company. These guidelines are designed to establish a high quality fixed income portfolio of government and highly rated corporate debt securities with a maximum weighted maturity of less than one year. The Company does not use derivative financial instruments in its investment portfolio. Based on the average anticipated maturity of the investment portfolio at the end of the 2011 fiscal year, a 10% increase in short-term interest rates would not have had a material impact on the consolidated results of operations or financial position of the Company.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

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

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
Park Electrochemical Corp.

We have audited the accompanying consolidated balance sheets of Park Electrochemical Corp. (a New York corporation) and subsidiaries (the "Company") as of February 27, 2011 and February 28, 2010, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended February 27, 2011. Our audits of the basic financial statements included the financial statement schedule listed in the index appearing under Item 15(a)(2). These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Park Electrochemical Corp. and subsidiaries as of February 27, 2011 and February 28, 2010 and the results of their operations and their cash flows for each of the three years in the period ended February 27, 2011, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Park Electrochemical Corp. and subsidiaries' internal control over financial reporting as of February 27, 2011, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") and our report dated May 12, 2011 expressed an unqualified opinion thereon.

/s/ GRANT THORNTON LLP

New York, New York
May 12, 2011

PARK ELECTROCHEMICAL CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share amounts)

	February 27, 2011	February 28, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 112,195	\$ 134,030
Marketable securities (Note 2)	138,249	103,810
Accounts receivable, less allowance for doubtful accounts of \$599 and \$578, respectively	29,822	31,698
Inventories (Note 3)	12,888	11,973
Prepaid expenses and other current assets	3,805	1,167
Total current assets	296,959	282,678
Property, plant and equipment, net of accumulated depreciation and amortization (Note 4)	41,292	44,905
Other assets (Notes 5 and 7)	15,557	15,521
Total assets	\$ 353,808	\$ 343,104
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 9,944	\$ 10,201
Accrued liabilities (Note 6)	9,497	7,301
Income taxes payable	5,812	4,140
Total current liabilities	25,253	21,642
Deferred income taxes (Note 7)	1,460	1,398
Other liabilities (Notes 7 and 14)	1,787	3,966
Total liabilities	28,500	27,006