

PARK ELECTROCHEMICAL CORP  
Form 10-Q  
October 06, 2017  
**DRAFT 10/03/17**

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-Q**

**(Mark One)**

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

**For the quarterly period ended August 27, 2017**

**OR**

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

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission file number 1-4415**

**PARK ELECTROCHEMICAL CORP.**

**(Exact Name of Registrant as Specified in Its Charter)**

\_\_\_\_\_ 11-1734643 \_\_\_\_\_  
**New**

York

(State or Other  
Jurisdiction of (I.R.S. Employer

Incorporation or Identification No.)  
Organization)

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

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

Not Applicable

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

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

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

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

Large Accelerated Filer [ ] Accelerated Filer [X] Non-Accelerated Filer [ ] Smaller Reporting Company [ ] Emerging Growth Company [ ]

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 20,237,446 as of October 4, 2017.

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**PARK ELECTROCHEMICAL CORP. AND SUBSIDIARIES**

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**PART I. FINANCIAL INFORMATION****Item I. Financial Statements.****PARK ELECTROCHEMICAL CORP. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS****(Amounts in thousands)**

	<b>August 27, 2017 (unaudited)</b>	<b>February 26, 2017*</b>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 30,191	\$ 102,438
Marketable securities (Note 3)	202,873	136,152
Accounts receivable, less allowance for doubtful accounts of \$285 and \$294, respectively	21,182	17,238
Inventories (Note 4)	11,919	11,105
Prepaid expenses and other current assets	2,582	2,197
<b>Total current assets</b>	<b>268,747</b>	<b>269,130</b>
Property, plant and equipment, net	17,616	18,638
Goodwill and other intangible assets	9,825	9,825
Restricted cash (Note 5)	10,000	10,000
Other assets	1,956	985
<b>Total assets</b>	<b>\$ 308,144</b>	<b>\$ 308,578</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Current portion of long-term debt (Note 5)	\$ 3,250	\$ 3,500
Accounts payable	5,444	4,183
Accrued liabilities	7,062	3,417
Income taxes payable	1,891	3,023
<b>Total current liabilities</b>	<b>17,647</b>	<b>14,123</b>
Long-term debt (Note 5)	67,000	68,500
Deferred income taxes (Note 9)	42,088	42,088
Other liabilities	302	1,041
<b>Total liabilities</b>	<b>127,037</b>	<b>125,752</b>

Commitments and contingencies (Note 11)

**Shareholders' equity (Note 8):**

Common stock	2,096	2,096
Additional paid-in capital	168,071	167,612
Retained earnings	24,979	27,112
Accumulated other comprehensive earnings	924	1,026
	<b>196,070</b>	<b>197,846</b>
Less treasury stock, at cost	(14,963 )	(15,020 )
<b>Total shareholders' equity</b>	<b>181,107</b>	<b>182,826</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 308,144</b>	<b>\$ 308,578</b>

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

See Notes to Consolidated Financial Statements (Unaudited).

**PARK ELECTROCHEMICAL CORP. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS****(Amounts in thousands, except per share amounts)**

	<b>13 Weeks Ended (Unaudited)</b>		<b>26 Weeks Ended (Unaudited)</b>	
	<b>August 27, 2017</b>	<b>August 28, 2016</b>	<b>August 27, 2017</b>	<b>August 28, 2016</b>
Net sales	\$29,836	\$29,058	\$57,253	\$60,548
Cost of sales	22,659	21,824	43,754	44,527
<b>Gross profit</b>	<b>7,177</b>	<b>7,234</b>	<b>13,499</b>	<b>16,021</b>
Selling, general and administrative expenses	4,443	5,110	9,170	10,447
Restructuring charges (Note 6)	2,902	23	4,263	93
<b>(Loss) Earnings from operations</b>	<b>(168 )</b>	<b>2,101</b>	<b>66</b>	<b>5,481</b>
Interest expense (Note 5)	603	334	1,113	667
Interest and other income	751	369	1,500	747
<b>(Loss) Earnings before income taxes</b>	<b>(20 )</b>	<b>2,136</b>	<b>453</b>	<b>5,561</b>
Income tax (benefit) provision (Note 9)	(540 )	155	(1,461 )	630
<b>Net earnings</b>	<b>\$520</b>	<b>\$1,981</b>	<b>\$1,914</b>	<b>\$4,931</b>
<b>Earnings per share (Note 7):</b>				
Basic earnings per share	\$0.03	\$0.10	\$0.09	\$0.24
Basic weighted average shares	20,236	20,235	20,236	20,235
Diluted earnings per share	\$0.03	\$0.10	\$0.09	\$0.24
Diluted weighted average shares	20,250	20,235	20,247	20,235
Dividends declared per share	\$0.10	\$0.10	\$0.20	\$0.20

See Notes to Consolidated Financial Statements (Unaudited).



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


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	<b>13 Weeks Ended (Unaudited) August 27, 2017</b>		<b>26 Weeks Ended (Unaudited) August 27, 2016</b>	
Net earnings	\$520	\$1,981	\$1,914	\$4,931
Other comprehensive earnings (loss), net of tax:				
Foreign currency translation	72	26	41	5
Unrealized gains on marketable securities:				
Unrealized holding gains arising during the period	21	11	24	11
Less: reclassification adjustment for gains included in net earnings	(27 )	-	(96 )	(55 )
Unrealized losses on marketable securities:				
Unrealized holding losses arising during the period	-	(45 )	(117 )	(69 )
Less: reclassification adjustment for losses included in net earnings	22	19	46	34
Other comprehensive earnings (loss)	88	11	(102 )	(74 )
<b>Total comprehensive earnings</b>	<b>\$608</b>	<b>\$1,992</b>	<b>\$1,812</b>	<b>\$4,857</b>

See Notes to Consolidated Financial Statements (Unaudited).

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

	<b>26 Weeks Ended (Unaudited)</b>	
	<b>August 27, 2017</b>	<b>August 28, 2016</b>
<b>Cash flows from operating activities:</b>		
Net earnings	\$1,914	\$4,931
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	1,547	1,652
Stock-based compensation	475	704
Deferred income taxes	(992 )	-
Amortization of bond premium	125	278
Non-cash restructuring charges	3,484	-
Changes in operating assets and liabilities	(5,051 )	1,252
<b>Net cash provided by operating activities</b>	<b>1,502</b>	<b>8,817</b>
<b>Cash flows from investing activities:</b>		
Purchase of property, plant and equipment	(500 )	(94 )
Purchases of marketable securities	(141,881)	(27,102)
Proceeds from sales and maturities of marketable securities	74,205	29,478
<b>Net cash (used in) provided by investing activities</b>	<b>(68,176 )</b>	<b>2,282</b>
<b>Cash flows from financing activities:</b>		
Dividends paid	(4,047 )	(4,047 )
Proceeds from exercise of stock options	39	-
Payments of long-term debt	(1,750 )	(1,500 )
<b>Net cash used in financing activities</b>	<b>(5,758 )</b>	<b>(5,547 )</b>
(Decrease) increase in cash and cash equivalents before effect of exchange rate changes	(72,432 )	5,552
Effect of exchange rate changes on cash and cash equivalents	185	129
<b>(Decrease) increase in cash and cash equivalents</b>	<b>(72,247 )</b>	<b>5,681</b>
Cash and cash equivalents, beginning of period	102,438	97,757
<b>Cash and cash equivalents, end of period</b>	<b>\$30,191</b>	<b>\$103,438</b>
<b>Supplemental cash flow information:</b>		
Cash paid during the period for income taxes, net of refunds	\$1,534	\$1,763
Cash paid during the period for interest	\$1,007	\$653

See Notes to Consolidated Financial Statements (Unaudited).

## **PARK ELECTROCHEMICAL CORP. AND SUBSIDIARIES**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(Unaudited)**

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

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#### **1. CONSOLIDATED FINANCIAL STATEMENTS**

The Condensed Consolidated Balance Sheet as of August 27, 2017, the Consolidated Statements of Operations and the Consolidated Statements of Comprehensive Earnings for the 13 weeks and 26 weeks ended August 27, 2017 and August 28, 2016 and the Condensed Consolidated Statements of Cash Flows for the 26 weeks then ended have been prepared by Park Electrochemical Corp. (the “Company”), without audit. In the opinion of management, these unaudited consolidated financial statements contain all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position at August 27, 2017 and the results of operations and cash flows for all periods presented. The Consolidated Statements of Operations are not necessarily indicative of the results to be expected for the full fiscal year or any subsequent interim period.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”) have been condensed or omitted. It is suggested that these consolidated financial statements be read in conjunction with the consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the fiscal year ended February 26, 2017. There have been no significant changes to such accounting policies during the 26 weeks ended August 27, 2017.

#### **2. FAIR VALUE MEASUREMENTS**

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

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

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

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

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

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

The Company's non-financial assets measured at fair value on a non-recurring basis include goodwill and any long-lived assets written down to fair value. To measure fair value of such assets, the Company uses Level 3 inputs consisting of techniques including an income approach and a market approach. The income approach is based on a discounted cash flow analysis and calculates the fair value by estimating the after-tax cash flows attributable to a reporting unit and then discounting the after-tax cash flows to a present value using a risk-adjusted discount rate. Assumptions used in the discounted cash flow analysis require the exercise of significant judgment, including judgment about appropriate discount rates, terminal values, growth rates and the amount and timing of expected future cash flows. There were no transfers between levels within the fair value hierarchy during the 26 weeks ended August 27, 2017 and August 28, 2016. With respect to goodwill, the Company first assesses qualitative factors to determine whether it is more likely than not that the fair value is less than its carrying value. If, based on that assessment, the Company believes it is more likely than not that the fair value is less than its carrying value, a two-step goodwill impairment test is performed. There have been no changes in events or circumstances which required impairment charges to be recorded during the 13 or 26 weeks ended August 27, 2017.

### 3. MARKETABLE SECURITIES

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

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

	August 27, 2017			
	Total	Level 1	Level 2	Level 3
U.S. Treasury and other government securities	\$ 151,337	\$ 151,337	\$ -	\$ -
U.S. corporate debt securities	51,536	51,536	-	-
<b>Total marketable securities</b>	<b>\$ 202,873</b>	<b>\$ 202,873</b>	<b>\$ -</b>	<b>\$ -</b>

**February 26, 2017**

	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
U.S. Treasury and other government securities	\$ 111,261	\$ 111,261	\$ -	\$ -
U.S. corporate debt securities	24,891	24,891	-	-
<b>Total marketable securities</b>	<b>\$ 136,152</b>	<b>\$ 136,152</b>	<b>\$ -</b>	<b>\$ -</b>

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

	<b>Amortized Cost Basis</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>
<b>August 27, 2017:</b>			
U.S. Treasury and other government securities	\$ 151,941	\$ 26	\$ 630
U.S. corporate debt securities	51,665	-	129
<b>Total marketable securities</b>	<b>\$ 203,606</b>	<b>\$ 26</b>	<b>\$ 759</b>
<b>February 26, 2017:</b>			
U.S. Treasury and other government securities	\$ 111,727	\$ 136	\$ 602
U.S. corporate debt securities	24,938	1	48
<b>Total marketable securities</b>	<b>\$ 136,665</b>	<b>\$ 137</b>	<b>\$ 650</b>

The estimated fair values of such securities at August 27, 2017 by contractual maturity are shown below:

Due in one year or less	\$25,939
Due after one year through five years	176,934
	<b>\$202,873</b>

#### 4. INVENTORIES

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

	<b>August 27, 2017</b>	<b>February 26, 2017</b>
<b><u>Inventories:</u></b>		
Raw materials	\$7,305	\$ 5,842
Work-in-process	2,714	2,329
Finished goods	1,533	2,585



Manufacturing supplies	367	349
	<b>\$11,919</b>	<b>\$ 11,105</b>

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## 5. LONG-TERM DEBT

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

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

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

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

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

At August 27, 2017, \$70,250 of indebtedness was outstanding under the Credit Agreement with an interest rate of 3.41%. Interest expense recorded under the Credit Agreement and the Amended Credit Agreement was \$603 and \$1,113 during the 13-week and 26-week periods ended August 27, 2017, respectively, and \$334 and \$667 during the 13-week and 26-week periods ended August 28, 2016, respectively.

## 6. RESTRUCTURING CHARGES

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

During the 13-week and 26-week periods ended August 27, 2017 the Company recorded restructuring charges of \$2,813 and \$4,063, respectively, related to the consolidation. The Company estimates the remaining pre-tax charge in connection with the consolidation to be approximately \$1,500. This remaining charge is expected to be incurred primarily during the fiscal year ending March 3, 2019 or beyond. The Company estimates the remaining pre-tax charge in connection with the consolidation to be approximately \$1,500. This remaining charge is expected to be incurred primarily during the fiscal year ending March 3, 2019 or beyond.

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

	Total Expense		Accrual			Total Expense		Total
	For 13 Weeks Ended May 28, 2017	Current Period Expense	Cash Payments	Non-Cash Charges	August 27, 2017	For 26 Weeks Ended August 27, 2017	Expected Costs	
Facility Lease Costs	\$ -	\$ 2,753	\$ -	\$ -	\$ 2,753	\$ 2,753	\$ 2,753	
Severance Costs	1,183	(61 )	(391 )	-	731	1,122	1,122	
Equipment Removal	-	-	-	-	-	-	700	
Other	67	121	(121 )	(67 )	-	188	925	
<b>Total Restructuring Plan</b>	<b>\$ 1,250</b>	<b>\$ 2,813</b>	<b>\$ (512 )</b>	<b>\$ (67 )</b>	<b>\$ 3,484</b>	<b>\$ 4,063</b>	<b>\$ 5,500</b>	

The Company recorded additional restructuring charges of \$89 and \$23 during the 13-week periods ended August 27, 2017 and August 28, 2016, respectively, and \$200 and \$93 during the 26 weeks ended August 27, 2017 and August 28, 2016, respectively, related to the closure in the 2009 fiscal year of the Company's New England Laminates Co., Inc. Business Unit located in Newburgh, New York. The New England Laminates Co., Inc. building in Newburgh, New York is held for sale. In the 2004 fiscal year, the Company reduced the book value of the building to zero, and the Company intends to sell it during the 2018 fiscal year.

## **7. EARNINGS PER SHARE**

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

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

	<b>13 Weeks Ended</b>		<b>26 Weeks Ended</b>	
	<b>August</b>	<b>August</b>	<b>August</b>	<b>August</b>
	<b>27,</b>	<b>28,</b>	<b>27,</b>	<b>28,</b>
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>Net earnings</b>	<b>\$520</b>	<b>\$1,981</b>	<b>\$1,914</b>	<b>\$4,931</b>
Weighted average common shares outstanding for basic EPS	20,236	20,235	20,236	20,235
Net effect of dilutive options	14	-	11	-
<b>Weighted average shares outstanding for diluted EPS</b>	<b>20,250</b>	<b>20,235</b>	<b>20,247</b>	<b>20,235</b>
<b>Basic earnings per share</b>	<b>\$0.03</b>	<b>\$0.10</b>	<b>\$0.09</b>	<b>\$0.24</b>
<b>Diluted earnings per share</b>	<b>\$0.03</b>	<b>\$0.10</b>	<b>\$0.09</b>	<b>\$0.24</b>

Potentially dilutive securities, which were not included in the computation of diluted earnings per share because either the effect would have been anti-dilutive or the options' exercise prices were greater than the average market price of the common stock, were 713,000 and 882,000 for the 13 weeks ended August 27, 2017 and August 28, 2016, respectively, and 793,000 and 953,000 for the 26 weeks ended August 27, 2017 and August 28, 2016, respectively.

## 8. SHAREHOLDERS' EQUITY

During the 26 weeks ended August 27, 2017, the Company sold 2,775 shares of the Company's treasury stock pursuant to the exercises of employee stock options and received proceeds of \$39 from such exercises. The Company recognized stock-based compensation expense, net of tax benefits, of \$459.

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

On March 10, 2016, the Company announced that its Board of Directors authorized the Company's purchase, on the open market and in privately negotiated transactions, of up to 1,000,000 additional shares of its common stock, in addition to the unused prior authorization to purchase shares of the Company's common stock announced on January 8, 2015. As a result, the Company is authorized to purchase up to a total of 1,531,412 shares of its common stock, representing approximately 7.6% of the Company's 20,237,446 total outstanding shares as of the close of business on October 4, 2017.

The Company did not purchase any shares of its common stock during the 26 weeks ended August 27, 2017 or during the 26 weeks ended August 28, 2016.

## 9. INCOME TAXES

The Company's effective tax rates for the 13 weeks and 26 weeks ended August 27, 2017 were materially different as compared to the 13 weeks and 26 weeks ended August 28, 2016. The lower effective tax rates were primarily due to the mix of earnings and losses in different jurisdictions during the 13 weeks and 26 weeks ended August 27, 2017 and the reversal of a tax reserve of \$688 related to certain foreign tax deductions taken in prior years.

The Company continuously evaluates the liquidity and capital requirements of its operations in the United States and of its foreign operations. As a result of such evaluation during the 2014 fiscal year, the Company recorded a non-cash charge for the accrual of U.S. deferred income taxes in the amount of \$63,958 on undistributed earnings of the Company's subsidiary in Singapore. As a result of such evaluations, the Company repatriated \$7,250, \$6,800 and \$61,000 in cash from the Company's subsidiary in Singapore in the 2018, 2017 and 2016 fiscal years, respectively.

## 10. GEOGRAPHIC REGIONS

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

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

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

<b>13 Weeks Ended</b>		<b>26 Weeks Ended</b>	
<b>August</b>	<b>August</b>	<b>August</b>	<b>August</b>
<b>27,</b>	<b>28,</b>	<b>27,</b>	<b>28,</b>



	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>Sales:</b>				
North America	\$17,997	\$15,990	\$33,413	\$32,827
Asia	9,702	11,119	19,735	23,266
Europe	2,137	1,949	4,105	4,455
<b>Total sales</b>	<b>\$29,836</b>	<b>\$29,058</b>	<b>\$57,253</b>	<b>\$60,548</b>

	<b>August 27, 2017</b>	<b>February 26, 2017</b>
<b>Long-lived assets:</b>		
North America	\$21,221	\$20,794
Asia	7,950	8,440
Europe	226	214
<b>Total long-lived assets</b>	<b>\$29,397</b>	<b>\$29,448</b>

## 11. CONTINGENCIES

### Litigation

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

### Environmental Contingencies

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

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

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

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

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

## 12. ACCOUNTING PRONOUNCEMENTS

### Recently Adopted

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

### Recently Issued

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

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

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

In May 2014, the FASB issued Accounting Standards Codification (“ASC”) Topic 606, *Revenue from Contracts with Customers*, which supersedes the revenue recognition requirements in ASC Topic 605, *Revenue Recognition*, including most industry-specific revenue recognition guidance throughout the Industry Topics of the Codification. This guidance requires that an entity recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, and expands the related disclosure requirements. The new standard was originally scheduled to be effective for fiscal years beginning after December 15, 2016, including interim reporting periods within those fiscal years. In August 2015, the FASB delayed the effective date of this guidance for one year. With the delay, the new standard is effective for fiscal years beginning after December 15, 2017, and interim periods therein, with an option to adopt the standard on the originally scheduled effective date. The Company has concluded that this new guidance will not have a significant impact on its consolidated results of operations, cash flows, financial position and disclosures.

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

**General:**

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

*Financial Overview*

The Company's total net sales worldwide in the 13 weeks ended August 27, 2017 were 3% higher than in the 13 weeks ended August 28, 2016 principally as a result of higher sales of the Company's aerospace composite materials, structures and assemblies. Total net sales worldwide in the 26 weeks ended August 27, 2017 were 5% lower than in the 26 weeks ended August 28, 2016 principally as a result of lower sales of the Company's printed circuit materials products in Asia and North America. The Company's total net sales worldwide in the 13 weeks ended August 27, 2017 were higher than such sales in the 13 weeks ended May 28, 2017 primarily as a result of higher sales of the Company's aerospace composite materials, structures and assemblies products in the 13 weeks ended August 27, 2017.

The Company's gross profit margins, measured as percentages of sales, decreased to 24.1% and 23.6%, respectively, in the 13 weeks and 26 weeks ended August 27, 2017 from 24.9% and 26.5%, respectively, in the 13 weeks and 26 weeks ended August 28, 2016. The lower gross profit margin for the 13 weeks ended August 27, 2017 compared to the 13 weeks ended August 28, 2016 was due principally to operating inefficiencies and duplicate costs incurred in connection with the consolidation of the Company's Nelco Products, Inc. and Neltec, Inc. electronics Business Units located in California and Arizona, respectively. The lower gross profit margin for the 26 weeks ended August 27, 2017 compared to the 26 weeks ended August 28, 2016, was principally a result of lower sales and production levels of printed circuit materials products in Asia and North America and the inefficiencies and duplicate costs mentioned above, partially offset by higher sales of aerospace materials, structures and assemblies.

The Company's earnings from operations were negative in the 13 weeks ended August 27, 2017 compared to the 13 weeks ended August 28, 2016 primarily as a result of restructuring charges recorded in the 13 weeks ended August 27, 2017 in connection with the consolidation of the Company's Nelco Products, Inc. and Neltec, Inc. electronics Business Units located in California and Arizona, respectively, partially offset by a 13% reduction in selling, general and administrative expenses. Net earnings were 74% lower in the 13 weeks ended August 27, 2017 than in the 13 weeks

ended August 28, 2016 principally due to the charges for the consolidation of the electronics Business Units and to a higher effective tax rate compared to last year's comparable period, partially offset by the lower selling, general and administrative expenses.

The Company's earnings from operations and net earnings were 99% and 61% lower, respectively, in the 26 weeks ended August 27, 2017 than in last fiscal year's comparable period primarily as a result of the restructuring charges related to the consolidation of the Company's electronics Business Units mentioned above, a one-time litigation expense of \$375,000, the aforementioned decrease in sales and reduction in the gross profit margin and a higher effective tax rate compared to last year's comparable period, partially offset by a 12% reduction in selling, general and administrative expenses.

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

## Results of Operations:

The following table sets forth the components of the consolidated statements of operations:

(amounts in thousands, except per share amounts)	13 Weeks Ended			26 Weeks Ended		
	August 27, 2017	August 28, 2016	% Change	August 27, 2017	August 28, 2016	% Change
Net sales	\$29,836	\$29,058	3 %	\$57,253	\$60,548	(5) %
Cost of sales	22,659	21,824	4 %	43,754	44,527	(2) %
<b>Gross profit</b>	<b>7,177</b>	<b>7,234</b>	<b>(1) %</b>	<b>13,499</b>	<b>16,021</b>	<b>(16) %</b>
Selling, general and administrative expenses	4,443	5,110	(13) %	9,170	10,447	(12) %
Restructuring charges	2,902	23	12,517 %	4,263	93	4,484 %
<b>(Loss) Earnings from operations</b>	<b>(168)</b>	<b>2,101</b>	<b>(108) %</b>	<b>66</b>	<b>5,481</b>	<b>(99) %</b>
Interest expense	603	334	81 %	1,113	667	67 %
Interest and other income	751	369	104 %	1,500	747	101 %
<b>(Loss) Earnings before income taxes</b>	<b>(20)</b>	<b>2,136</b>	<b>(101) %</b>	<b>453</b>	<b>5,561</b>	<b>(92) %</b>
Income tax (benefit) provision	(540)	155	(448) %	(1,461)	630	(332) %
<b>Net earnings</b>	<b>\$520</b>	<b>\$1,981</b>	<b>(74) %</b>	<b>\$1,914</b>	<b>\$4,931</b>	<b>(61) %</b>
<b>Earnings per share:</b>						
Basic earnings per share	\$0.03	\$0.10	(70) %	\$0.09	\$0.24	(63) %
Diluted earnings per share	\$0.03	\$0.10	(70) %	\$0.09	\$0.24	(63) %

### Net Sales

The Company's total net sales worldwide in the 13 weeks ended August 27, 2017 increased to \$29.8 million from \$29.1 million in the 13 weeks ended August 28, 2016 primarily as a result of higher sales of the Company's aerospace composite materials, structures and assemblies, partially offset by lower sales of the Company's printed circuit materials products in Asia and North America. The Company's total net sales worldwide in the 26 weeks ended August 27, 2017 decreased to \$57.3 million from \$60.5 million in the 26 weeks ended August 28, 2016 primarily as a result of lower sales of the Company's printed circuit materials products in Asia and North America, partially offset by higher sales of the Company's aerospace composite materials, structures and assemblies.



The Company's total net sales of its aerospace composite materials, structures and assemblies products were \$11.4 million and \$20.1 million in the 13 weeks and 26 weeks, respectively, ended August 27, 2017, or 38% and 35%, respectively, of the Company's total net sales worldwide in such periods, compared to \$8.8 million and \$16.5 million in the 13 weeks and 26 weeks, respectively, ended August 28, 2016, or 30% and 27%, respectively, of the Company's total net sales worldwide in such periods. The Company's total net sales of its printed circuit materials products were \$18.5 million and \$37.2 million in the 13 weeks and 26 weeks, respectively, ended August 27, 2017, or 62% and 65%, respectively, of the Company's total net sales worldwide in such periods, compared to \$20.2 million and \$44.0 million in the 13 weeks and 26 weeks, respectively, ended August 28, 2016, or 70% and 73%, respectively, of the Company's total net sales worldwide in such periods.

The Company's foreign sales were \$11.8 million and \$23.8 million, respectively, during the 13 weeks and 26 weeks ended August 27, 2017, or 40% and 42%, respectively, of the Company's total net sales worldwide during such periods, compared with \$13.1 million and \$27.7 million, respectively, of foreign sales, or 45% and 46%, respectively, of total net sales worldwide during last fiscal year's comparable periods. The Company's foreign sales during the 13-week and 26-week periods ended August 27, 2017 decreased 9% and 14%, respectively, from the 2016 fiscal year comparable periods. The decreases in the 13-week and 26-week periods were primarily due to the lower sales in Asia described above.

In the 13 weeks ended August 27, 2017, the Company's sales in North America, Asia and Europe were 60%, 33% and 7%, respectively, of the Company's total net sales worldwide compared to 55%, 38% and 7%, respectively, in the 13 weeks ended August 28, 2016. In the 26 weeks ended August 27, 2017, the Company's sales in North America, Asia and Europe were 59%, 34% and 7%, respectively, of the Company's total net sales worldwide compared to 54%, 39% and 7%, respectively, in the 26 weeks ended August 28, 2016. The Company's sales in North America increased 13%, its sales in Asia decreased 13% and its sales in Europe increased 10% in the 13-week period ended August 27, 2017 compared to the 13-week period ended August 28, 2016, and its sales in North America increased 2%, its sales in Asia decreased 15% and its sales in Europe decreased 8% in the 26-week period ended August 27, 2017 compared to the 26-week period ended August 28, 2016.

During each of the 13-week and 26-week periods ended August 27, 2017 and each of the 13-week and 26-week periods ended August 28, 2016, the Company's total net sales worldwide of high performance printed circuit materials were 93% of the Company's total net sales worldwide of printed circuit materials.

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

### *Gross Profit*

The Company's gross profits in the 13 weeks and 26 weeks ended August 27, 2017 were lower than its gross profits in the prior year's comparable periods, and the gross profits as percentages of sales for the Company's worldwide operations in the 13 weeks and 26 weeks ended August 27, 2017 decreased to 24.1% and 23.6%, respectively, from 24.9% and 26.5%, respectively, in the 13 weeks and 26 weeks ended August 28, 2016. The lower gross profit margin for the 13 weeks ended August 27, 2017 compared to the 13 weeks ended August 28, 2016 was principally due to the operating inefficiencies and duplicate costs incurred in connection with the consolidation of the Company's Nelco Products, Inc. and Neltec, Inc. electronics Business Units located in California and Arizona, respectively. The lower

gross profit margin for the 26 weeks ended August 27, 2017 compared to the 26 weeks ended August 28, 2016 was principally a result of lower sales and production levels of printed circuit materials products in Asia and North America and the inefficiencies and duplicate costs mentioned above, partially offset by higher sales of aerospace materials, structures and assemblies.

### *Selling, General and Administrative Expenses*

Selling, general and administrative expenses decreased by \$667,000 during the 13 weeks ended August 27, 2017, or by 13%, and decreased by \$1,277,000 during the 26 weeks ended August 27, 2017, or by 12%, compared to last fiscal year's comparable periods, and these expenses, measured as percentages of sales, were 14.9% and 16.0%, respectively, in the 13 weeks and 26 weeks ended August 27, 2017 compared to 17.6% and 17.3%, respectively, in the 13 weeks and 26 weeks ended August 28, 2016. The decreases in such expenses during the 13 weeks and 26 weeks ended August 27, 2017 were primarily the result of lower payroll, bonus, profit sharing and stock option expenses. During the 26 weeks ended August 27, 2017, selling, general and administrative expenses included a one-time litigation expense of \$375,000.

Selling, general and administrative expenses included stock option expenses of \$235,000 and \$475,000, respectively, for the 13 weeks and 26 weeks ended August 27, 2017, compared to stock option expenses of \$352,000 and \$704,000, respectively, for the 13 weeks and 26 weeks ended August 28, 2016.

### *Restructuring Charges*

In the 13 weeks and 26 weeks ended August 27, 2017, the Company recorded pre-tax restructuring charges of \$2,902,000 and \$4,263,000, respectively, compared to \$23,000 and \$93,000, respectively, in the 13 weeks and 26 weeks ended August 28, 2016, in connection with the consolidation of the Company's electronics Business Units in North America in the 2018 fiscal year and the closures, in prior years, of its facilities located in Zhuhai, China and Newburgh, New York.

### *Earnings from Operations*

For the reasons set forth above, the Company had a loss from operations of \$168,000 in the 13 weeks ended August 27, 2017 and earnings from operations \$66,000 in the 26 weeks ended August 27, 2017, which included the aforementioned restructuring charges of \$2.9 million and \$4.3 million, respectively, and the \$375,000 litigation expense in the 26-week period, compared to \$2.1 million and \$5.5 million, respectively, for the 13 weeks and 26 weeks ended August 28, 2016, which included the aforementioned restructuring charges of \$23,000 and \$93,000, respectively.

### *Interest Expense*

Interest expense in the 13 weeks and 26 weeks ended August 27, 2017 related to the Company's outstanding borrowings under the three-year revolving credit facility agreement that the Company entered into with HSBC Bank in the fourth quarter of the 2016 fiscal year. The agreement provides for an interest rate on the outstanding loan balance of LIBOR plus 1.15% to 2.65%. Other interest rate options are also available to the Company under the agreement. See "Liquidity and Capital Resources" elsewhere in this Item 2 and Note 5 of the Notes to Consolidated Financial Statements included elsewhere in this Report for additional information.

#### *Interest and Other Income*

Interest income was \$751,000 and \$1.5 million, respectively, for the 13 weeks and 26 weeks ended August 27, 2017 compared to \$369,000 and \$747,000, respectively, for last fiscal year's comparable periods. Interest income increased 104% and 101%, respectively, for the 13 weeks and 26 weeks ended August 27, 2017 primarily as a result of higher weighted average interest rates and larger average balances of marketable securities held by the Company in the 13 weeks and 26 weeks ended August 27, 2017, compared to last fiscal year's comparable periods. During the 26 weeks ended August 27, 2017, the Company earned interest income principally from its investments, which consisted primarily of short-term instruments and money market funds.

#### *Income Tax Provision*

The Company's effective income tax rates for the 13 weeks and 26 weeks ended August 27, 2017 were 2,700% and negative 323%, respectively, compared to 7.3% and 11.3%, respectively, for the 13 weeks and 26 weeks ended August 28, 2016. The lower effective tax rates were primarily due to the high restructuring charges in the 13 weeks and 26 weeks ended August 27, 2017 and the reversal of a tax reserve of \$688,000 in the 13 weeks ended May 28, 2017 related to certain foreign tax deductions taken in prior years.

*Net Earnings*

For the reasons set forth above, the Company's net earnings for the 13 weeks and 26 weeks ended August 27, 2017 were \$520,000 and \$1.9 million, respectively, including the pre-tax restructuring charges described above, compared to net earnings of \$2.0 million and \$4.9 million for the 13 weeks and 26 weeks, respectively, ended August 28, 2016, including the pre-tax restructuring charges described above.

*Basic and Diluted Earnings Per Share*

In the 13 weeks and 26 weeks ended August 27, 2017, basic and diluted earnings per share were \$0.03 and \$0.09, respectively, including, in both such periods, the restructuring charges and litigation expense described above. This compared to basic and diluted earnings per share of \$0.10 and \$0.24 in the 13 weeks and 26 weeks ended August 28, 2016, respectively, including, in both such periods, the restructuring charges described above. The net impact of the restructuring charges discussed above reduced basic and diluted earnings per share by \$0.09 and \$0.15 in the 13 weeks and 26 weeks ended August 27, 2017.

**Liquidity and Capital Resources:**

<b>(amounts in thousands)</b>	<b>August 27, 2017</b>	<b>February 26, 2017</b>	<b>Change</b>
Cash and cash equivalents and marketable securities	\$233,064	\$238,590	\$(5,526)
Restricted cash	10,000	10,000	-
Working capital	251,100	255,007	(3,907)

**26 Weeks  
Ended  
August  
27, 2017**

**(amounts in thousands)**