

PARK ELECTROCHEMICAL CORP  
Form DEF 14A  
June 21, 2007

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

**SCHEDULE 14A**

(Rule 14a-101)

**INFORMATION REQUIRED IN PROXY STATEMENT**

**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934 (Amendment No. )**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Under Rule 14a-12

**Park Electrochemical Corp.**

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(Name of Registrant as Specified in Its Charter)

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(Name of Person(s) Filing Proxy Statement, If Other than Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transactions applies:

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(2) Aggregate number of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(4) Proposed maximum aggregate value of transaction:

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(5) Total fee paid:

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o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount previously paid:

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(2) Form, Schedule or Registration Statement No.:

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(3) Filing Party:

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(4) Date Filed:

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**PARK ELECTROCHEMICAL CORP.**

**48 South Service Road  
Melville, New York 11747**

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**Notice of Annual Meeting of Shareholders**

**July 18, 2007**

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The Annual Meeting of Shareholders of PARK ELECTROCHEMICAL CORP. (the Company ) will be held at The Bank of New York, One Wall Street - 47th Floor, New York, New York (**attendees must use the 80 Broadway entrance**) on July 18, 2007 at **10:00 o clock** A.M., New York time, for the purpose of considering and acting upon the following:

- 1 The election of five (5) directors to serve until the next annual meeting of shareholders and until their successors are elected and qualified.
  - 2 The transaction of such other business as may properly come before the meeting.
- Only holders of record of Common Stock at the close of business on May 23, 2007 will be entitled to notice of, and to vote at, the meeting or any adjournment or postponement thereof.

By Order of the Board of Directors,

STEPHEN E. GILHULEY  
*Executive Vice President,  
Secretary and General Counsel*

Dated: June 21, 2007

**ALL SHAREHOLDERS ARE CORDIALLY INVITED TO ATTEND THE MEETING. IF YOU DO NOT EXPECT TO BE PRESENT, PLEASE DATE AND SIGN THE ENCLOSED FORM OF PROXY AND RETURN IT PROMPTLY TO THE COMPANY IN THE ENCLOSED ENVELOPE WHICH REQUIRES NO POSTAGE IF MAILED IN THE UNITED STATES.**

**PARK ELECTROCHEMICAL CORP.**  
**48 South Service Road**  
**Melville, New York 11747**

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**PROXY STATEMENT**

**Annual Meeting of Shareholders**  
**July 18, 2007**

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This Proxy Statement is furnished in connection with the solicitation by the Board of Directors (the "Board") of Park Electrochemical Corp. (the "Company") of proxies with respect to the Annual Meeting of Shareholders of the Company to be held on July 18, 2007, and any adjournment or postponement thereof (the "Meeting"). Any shareholder giving such a proxy (the form for which is enclosed with this Proxy Statement) has the power to revoke the same at any time before it is voted by (i) delivering written notice of such revocation bearing a later date than the proxy to the Secretary of the Company, (ii) submitting a later-dated proxy, or (iii) attending the Meeting and voting in person.

This Proxy Statement and the accompanying form of proxy are first being mailed on or about June 21, 2007 to all shareholders of record as of the close of business on May 23, 2007.

**VOTING SECURITIES**

As of May 23, 2007, the outstanding voting securities of the Company consisted of 20,313,289 shares of Common Stock, par value \$.10 per share, of the Company (the "Common Stock"), each of which is entitled to one vote. Presence in person or by proxy of holders of a majority of the outstanding shares of Common Stock will constitute a quorum for the transaction of business at the Meeting. Abstentions and broker non-votes, if any, will be included for purposes of determining a quorum. With respect to the election of directors, abstentions and broker non-votes, if any, will not be counted as having been voted and will have no effect on the outcome of the vote.

As of May 23, 2007, all executive officers and directors of the Company and nominees as a group (10 persons) beneficially owned an aggregate of 824,658 shares of Common Stock (including options to purchase an aggregate of 459,256 shares), constituting approximately 4.0% of the outstanding shares of Common Stock (giving effect to the exercise of such options).

**STOCK OWNERSHIP**

**Principal Shareholders**

The following table sets forth information as of May 23, 2007 with respect to each person (including any "group" of persons as that term is used in Section 13(d)(3) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), who is known to the Company to be the beneficial owner (for purposes of the rules of the Securities and Exchange Commission) of more than 5% of the outstanding shares of Common Stock as of that date.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Jerry Shore 19 Valley Road Port Washington, NY 11050	1,614,343(a)	7.9%
Barclays Global Investors, NA Barclays Global Fund Advisors Barclays Global Investors, Ltd. 45 Fremont Street San Francisco, CA 94105	1,342,961(b)	6.6%
Wentworth, Hauser & Violich, Inc. 353 Sacramento Street Suite 600 San Francisco, CA 94111	1,092,801(c)	5.4%
Royce & Associates, LLC 1414 Avenue of the Americas New York, NY 10019	1,050,100(d)	5.2%

- (a) Includes 1,410,599 shares owned by a trust of which Jerry Shore is the trustee and the beneficiary, 168,615 shares owned by a member of Jerry Shore's family, of which he disclaims beneficial ownership, and 35,129 shares owned by a foundation, of which he disclaims beneficial ownership.
- (b) Barclays Global Investors, NA, a bank, holds sole voting power over 619,537 of such shares and sole dispositive power over 707,267 of such shares, Barclays Global Fund Advisors, an investment advisor, holds sole voting power and sole dispositive power over 622,837 of such shares and Barclays Global Investors, Ltd., a bank, holds sole voting power and sole dispositive power over 12,857 of such shares, based on their Schedule 13G filed on January 23, 2007 under the Exchange Act, which represented approximately 6.6% of the outstanding shares of the Company's Common Stock as of May 23, 2007.
- (c) Wentworth, Hauser & Violich, Inc., a registered investment adviser, holds shared investment power and shared voting power over all of such shares, based on Amendment No. 1 to its Schedule 13G filed on February 8, 2007 under the Exchange Act, which represented approximately 5.4% of the outstanding shares of the Company's Common Stock as of May 23, 2007.
- (d) Royce & Associates, LLC, a registered investment adviser, holds sole dispositive power and sole voting power over all of such shares, based on its Schedule 13G filed on January 24, 2007 under the Exchange Act, which represented approximately 5.2% of the outstanding shares of the Company's Common Stock as of May 23, 2007.

#### Ownership of Directors and Executive Officers

The following table sets forth information as of May 23, 2007 with respect to shares of Common Stock beneficially owned (for purposes of the rules of the Securities and Exchange Commission) by each director and nominee, by each executive officer of the Company who is identified in the 2007 Fiscal Year Summary Compensation Table elsewhere in this Proxy Statement and by all directors, nominees and executive officers of the Company as a group.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Dale Blanchfield	6,375(a)	*
Anthony Chiesa	129,750(b)	*
Lloyd Frank	39,250(c)	*
Brian E. Shore	539,722(d)	2.6%
Steven T. Warshaw	6,375(e)	*
Stephen E. Gilhuley	57,991(f)	*
James W. Kelly	39,095(g)	*
Anthony W. DiGaudio	3,600(h)	*
Louis J. Stans	2,500(i)	*
James L. Zerby	0	*
All directors, nominees and executive officers as a group (10 persons)	824,658(j)	4.0%

\* Less than 1%

- (a) Consists of shares which Mr. Blanchfield may acquire pursuant to options.
- (b) Includes 17,250 shares which Mr. Chiesa may acquire pursuant to options.
- (c) Includes 32,250 shares which Mr. Frank may acquire pursuant to options and 3,000 shares owned by a member of Mr. Frank's family, of which he disclaims beneficial ownership.
- (d) Includes 298,750 shares which Mr. Shore may acquire pursuant to options.
- (e) Consists of shares which Mr. Warshaw may acquire pursuant to options.
- (f) Includes 53,281 shares which Mr. Gilhuley may acquire pursuant to options.
- (g) Includes 38,875 shares which Mr. Kelly may acquire pursuant to options.
- (h) Consists of shares which Mr. DiGaudio may acquire pursuant to options.
- (i) Consists of shares which Mr. Stans may acquire pursuant to options.
- (j) Consists of 365,402 shares owned by directors, nominees and executive officers and 459,256 shares issuable to directors, nominees and executive officers upon exercise of options that are exercisable as of May 23, 2007 or become exercisable within 60 days thereafter.

#### ELECTION OF DIRECTORS

The Board to be elected at the Meeting consists of five members. Proxies will be voted in accordance with their terms and, in the absence of contrary instructions, for the election as directors of the nominees whose names appear in the following table, to serve for the ensuing year and until their successors are elected and qualified. If any of the nominees does not remain a candidate at the time of the Meeting (a situation which is not now anticipated), proxies solicited hereunder will be voted in favor of those nominees who do remain as candidates and may be voted for substituted nominees. The five nominees who receive a plurality of the votes cast at the Meeting in person or by proxy shall be elected. Each of the nominees is presently a member of the Board.

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Name	Principal Occupation; Positions and Offices with the Company; Other Directorships	Age	Director Since
Dale Blanchfield	Retired; former President of Electronics Division of The Bureau of Engraving Inc., a manufacturer of specialized, high-volume, high layer count printed circuit boards, Minneapolis, Minnesota, from 1990 to June 2003; and a director of The Bureau of Engraving Inc.	69	2004
Anthony Chiesa	Retired; served as Vice President of the Company until February 1977	86	1954
Lloyd Frank	Of Counsel since April 1, 2005, Troutman Sanders LLP, a law firm, New York City; Of Counsel from January 2004 to March 31, 2005 and a Partner for many years prior thereto, Jenkens & Gilchrist Parker Chapin LLP, a law firm, New York City; and a director of DryClean, USA Inc. and Volt Information Sciences, Inc.	81	1985
Brian E. Shore	Chairman of the Board, President and Chief Executive Officer of the Company	55	1983
Steven T. Warshaw	Retired; former President, Chief Executive Officer and Chairman of the Board, M Cubed Technologies, Inc., a manufacturer of advanced ceramic materials for semiconductor equipment and armor applications, Monroe, Connecticut, from July 2002 to October 2005; President, Hexcel Schwebel Division, Hexcel Corporation, a supplier of specialized fabrics for reinforcement of laminates used in printed circuit boards and in commercial aerospace, recreation and other industrial applications, Anderson, South Carolina, April 2000 to November 2001; and a director of NN, Inc.	58	2004

Messrs. Chiesa and Shore have had the principal occupation set forth opposite their respective names for at least the past five years.

There are no family relationships among any of the persons named in the above table or among any of such persons and any of the other executive officers of the Company.

The Company was not during the 2007 fiscal year, and is not, engaged in any transaction with Dale Blanchfield, Anthony Chiesa, Lloyd Frank or Steven T. Warshaw.

**Director Independence**

The Board has determined that the following current directors and/or nominees have no material relationships with the Company and are independent as required by and as defined in the director independence standards of the New York Stock Exchange: Dale Blanchfield, Anthony Chiesa, Lloyd Frank and Steven T. Warshaw. Brian E. Shore does not satisfy such independence standards because he is an employee of the Company.

**Board Committees**

The Company's Audit Committee currently consists of Anthony Chiesa, Lloyd Frank and Steven T. Warshaw. The Board of Directors has determined that Mr. Warshaw is an audit committee financial expert as defined in rules of the Securities and Exchange Commission and that each of Messrs. Chiesa, Frank and Warshaw is independent as required by and as defined in the audit committee independence standards of the Securities and Exchange Commission and of the New York Stock Exchange. The duties and responsibilities of the Audit Committee are set forth in a written charter of such Committee, first adopted by the Board in July 2000 and

subsequently amended and restated in May 2004, and are described elsewhere in this Proxy Statement under the caption "Other Matters - Audit Committee Report". The Audit Committee also issues the Audit Committee Report required to be included in the Company's Proxy Statement by rules of the Securities and Exchange Commission. The Audit Committee Report for the Company's 2007 fiscal year is set forth elsewhere in this Proxy Statement under the caption "Other Matters - Audit Committee Report".

The Company has a Compensation Committee consisting of Dale Blanchfield, Anthony Chiesa and Steven T. Warshaw and a Stock Option Committee consisting of Anthony Chiesa, Lloyd Frank and Steven T. Warshaw. The functions of the Compensation and Stock Option Committees are set forth in written charters of such Committees adopted by the Board, and such functions are described elsewhere in this Proxy Statement under the caption "Executive Compensation - Compensation Discussion and Analysis - Board Process".

The Company has a Nominating Committee consisting of Dale Blanchfield, Anthony Chiesa and Lloyd Frank. The functions of the Nominating Committee, which are to identify and recommend to the Board of Directors individuals qualified to serve as directors of the Company and on committees of the Board and to oversee the evaluation of the Board and the Company's management, are set forth in a written charter of such Committee adopted by the Board. The Nominating Committee recommended to the Board of Directors, and the Board nominated, Dale Blanchfield, Anthony Chiesa, Lloyd Frank, Brian Shore and Steven T. Warshaw as nominees for election as directors at the Meeting.

The Company has a Corporate Governance Committee consisting of Anthony Chiesa, Lloyd Frank and Steven T. Warshaw. The functions of the Corporate Governance Committee, which are to advise the Board of Directors with respect to Board composition, procedures and committees and to develop and recommend to the Board a set of corporate governance principles applicable to the Company, are set forth in a written charter of such Committee adopted by the Board.

Each member of the Compensation, Stock Option, Nominating and Corporate Governance Committees is independent as required by and as defined in the director independence standards of the New York Stock Exchange.

The charters of the Audit, Compensation, Stock Option, Nominating and Corporate Governance Committees are available on the Company's web site at [www.parkelectro.com](http://www.parkelectro.com) under the caption "Charters and Codes" as required by rules of the New York Stock Exchange. In addition, the charters of such Committees are available in print to any shareholder upon request submitted to the Corporate Secretary at the Company's office at 48 South Service Road, Melville, New York 11747.

During the Company's last fiscal year, the Board of Directors met five times and authorized action by unanimous written consent on eight occasions, the Audit Committee met eleven times and authorized action by unanimous written consent once, the Compensation Committee met once and authorized action by unanimous written consent once, the Stock Option Committee met twice and authorized action by unanimous written consent once, the Nominating Committee met once, the Corporate Governance Committee met once, and the non-management directors met in executive session without management twice. At each meeting of the non-management directors, a non-management director designated by the non-management directors on the Board presides. Each of the directors attended all of the meetings held by the Board and each committee thereof of which he was a member during the Company's last fiscal year.

#### **Annual Meeting Attendance**

It is the Company's policy that all directors are invited to and encouraged to attend Annual Meetings of Shareholders, and all members of the Board of Directors attended the Annual Meeting of Shareholders held on July 19, 2006.

#### **Director Compensation**

Each director who is not an employee of the Company or any of its subsidiaries receives a fee of \$12,000 per annum for his services as a director, each member of the Audit Committee, other than the Chairman of the



Committee, receives a fee of \$2,000 per annum for his services as a member of such Committee, and the Chairman of the Audit Committee receives a fee of \$4,000 per annum for his services as Chairman of such Committee, each member of the Compensation Committee of the Board of Directors receives a fee of \$2,000 per annum for his services as a member of such Committee, and each Director and each Committee member is reimbursed for travel expenses incurred in attending meetings of the Board of Directors of the Company and of Committees of the Board of Directors of the Company.

On August 3, 2006, Messrs. Blanchfield, Chiesa, Frank and Warshaw each received a non-qualified stock option for 3,000 shares of Common Stock at an exercise price of \$25.35 per share under the Company's 2002 Stock Option Plan. Each of these options expires on August 3, 2016, and each is exercisable 25 percent after one year from date of grant, 50 percent after two years from date of grant, 75 percent after three years from date of grant and 100 percent after four years from date of grant. In the event that the service of an optionee as a director of the Company is terminated during the term of the option, the option may be exercised by the optionee, to the extent the optionee was entitled to do so on the date of such termination, until (1) one year following the director's ceasing to serve as a director of the Company on account of disability, (2) six months following the director's ceasing to serve as a director of the Company on account of death, or (3) three months following the director's ceasing to be a director for any other reason, but in no event after the date on which the option would otherwise expire; provided, however, if the director is removed as a director for cause or ceases to be a director without the Company's consent, the option will terminate immediately.

The following table shows all the compensation paid by the Company for the most recent fiscal year, February 27, 2006 to February 25, 2007, for each of the directors of the Company, other than Brian E. Shore. Mr. Shore did not receive any compensation in his capacity as a director. Mr. Shore's compensation is set forth elsewhere in this Proxy Statement under the caption "Executive Compensation - 2007 Fiscal Year Summary Compensation Table".

Name	Fees Earned or Paid in Cash (\$)	Option Awards \$(a)	Total (\$)
Dale Blanchfield	\$ 14,000	\$ 25,434	\$ 39,434
Anthony Chiesa	16,000	22,145	38,145
Lloyd Frank	16,000	22,145	38,145
Steven T. Warshaw	14,000	25,434	39,434

- (a) The amounts in this column are the amounts recognized for financial statement reporting purposes with respect to the fiscal year ended February 25, 2007 for the fair value of stock options granted to each of the named directors in the 2007 fiscal year and in prior fiscal years in accordance with Statement of Financial Accounting Standards No. 123(R), "Share-Based Payment", as described in Note 7 of the Notes to Consolidated Financial Statements in Item 8 of Part II of the Company's Form 10-K Annual Report for the fiscal year ended February 25, 2007 filed with the Securities and Exchange Commission (disregarding estimates of forfeitures for service-based vesting). These amounts reflect the Company's accounting expense for such stock options and do not correspond to the actual value that will be realized by the named directors if and when they exercise the options. The grant date fair value for the options granted to each of the named directors during the 2007 fiscal year, estimated at the date of grant using the Black-Scholes option-pricing model with the assumptions described in the afore-mentioned Note 7 of the Notes to Consolidated Financial Statements, was \$32,130 for each of the named directors. At February 25, 2007, the end of the Company's last fiscal year, Mr. Blanchfield held 13,500 outstanding stock options, Mr. Chiesa held 24,000 outstanding stock options, Mr. Frank held 39,000 outstanding stock options, and Mr. Warshaw held 13,500 outstanding stock options.

## EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

*General.* The Company's compensation of its executive officers is composed of annual base salary, annual discretionary cash bonus, annual stock option grant and the profit sharing portion of the Company's Employees' Profit Sharing and 401(k) Retirement Savings Plan (the Profit Sharing Plan). The Company does not have employment agreements or employment termination or severance agreements or change-of-control agreements.

with any of its executive officers or any of its other employees. The Compensation Committee of the Board fully supports and endorses this compensation structure, which is designed to provide fair current income to the Company's officers, a discretionary cash award for individual and enterprise performance, equity participation in the Company's long-term performance as assessed by the capital markets in which the Company's common stock is traded and participation in the Company's profits through discretionary awards to the Profit Sharing Plan.

The Company's compensation of its executive officers is intended to be competitive with the compensation of executive officers at comparable companies, except for the compensation of the Chief Executive Officer, who has declined to accept the Compensation Committee's offer of a bonus and a salary increase each year since the Company's 2001 fiscal year. However, it is difficult for the Company to ascertain meaningful comparisons because the Company has few, if any, peer-group companies which disclose compensation information since most of its competitors are privately owned or are divisions or business units or subsidiaries of larger publicly owned companies which do not disclose compensation information about the officers of such divisions, business units or subsidiaries. The Company's compensation of its senior management is also intended to align management's incentives with the long-term interests of the Company's shareholders and to be fair and equitable to the individual and to the Company's employees and shareholders.

*Base Salaries.* Salaries of executive officers are determined based on the significance of the position to the Company, individual experience and expertise, individual performance and information gathered informally as to compensation levels of comparable companies in the same geographic location as the Company, except the salary of the Chief Executive Officer, who has declined to accept the Compensation Committee's offer of a salary increase each year since the Company's 2001 fiscal year. The Compensation Committee reviews the salary of each executive officer annually and makes adjustments as appropriate, taking into account the recommendations of the Chief Executive Officer.

*Bonuses.* Decisions as to the award of annual cash bonuses to executive officers with respect to each fiscal year are made after the close of the fiscal year. The amount awarded to each executive officer is based on the Company's overall performance, individual performance, base salary level, bonuses paid in prior years and overall equity and fairness, except the Chief Executive Officer, who has declined to accept the Compensation Committee's offer of a bonus each year since the Company's 2001 fiscal year.

*Equity Compensation.* The only form of equity compensation that the Company has awarded consists of incentive stock options and non-qualified stock options under the Company's Stock Option Plan. The Company selected this form because of the favorable accounting and tax treatments and the near universal expectation by employees in the Company's industry that they would receive stock options. However, beginning in 2006, the accounting treatment for stock options changed as a result of Statement of Financial Accounting Standards No. 123(R), making the accounting treatment of stock options less attractive. As a result, the Company is assessing the desirability of granting other forms of equity-based compensation to employees, particularly members of senior management, that would provide an equally motivating form of incentive compensation while permitting the Company to issue fewer shares, thereby reducing potential dilution.

The Stock Option Committee determines the number of options that it considers appropriate for each executive officer and other key employees of the Company. With the exception of significant promotions and significant new hires, the Stock Option Committee generally grants stock options under the Company's Stock Option Plan once each year following the availability to the Stock Option Committee of the financial results of operations of the Company and its subsidiaries for the prior year, the business plans of the Company's subsidiaries for the current fiscal year, the option grant recommendations of the presidents of the Company's subsidiaries and the evaluation of such recommendations by the senior management of the Company and the recommendations of the Chief Executive Officer of the Company. The Stock Option Committee bases its decisions on individual performance, base salary and bonus levels, recommendations from the Company's Chief Executive Officer and overall equity and fairness. In granting stock options, the Stock Option Committee generally does not consider the equity ownership levels of the recipients. The grants for the 2007 fiscal year were made on August 3, 2006. This timing was selected because it enabled the Committee to consider prior year performance by the Company and the potential recipients and the Company's expectations and plans for the 2007 fiscal year. The Stock Option Committee has the sole authority to grant stock options and has not delegated any authority to grant stock options.

The Company has not had, and does not have, a program, plan or practice to select the dates of grants of stock options to executive officers or to any employee or director of the Company in coordination with the release of material non-public information. The Company does not plan to time, and it has not previously timed, its release of material non-public information for the purpose of affecting the value of executive compensation. In addition, the Company does not have a program, plan or practice of granting stock options and setting the exercise price or prices of such options based on the price of the Company's Common Stock on a date other than the grant date. Pursuant to the terms of the Company's 2002 Stock Option Plan, which was approved by shareholders of the Company at the Annual Meeting of Shareholders held on July 17, 2002, the purchase price of the Common Stock under each stock option granted by the Company is no less than the fair market value of the Common Stock at the time of grant, which, pursuant to the terms of such Plan, is the reported closing price of the Common Stock on the New York Stock Exchange on the date preceding the date the option is granted.

*Severance Benefits.* The Company does not provide employment termination or severance agreements or change-of-control agreements for its employees and does not have a policy to provide specified severance benefits to employees whose employment is terminated by the Company.

*Pension Benefits.* The Board decides annually the amount of the Company's contribution to the Profit Sharing Plan, which is described elsewhere in this Proxy Statement under the caption "Executive Compensation 2007 Fiscal Year Summary Compensation Table". The amount of such contribution is discretionary, but may not exceed 25% of the total remuneration paid to eligible employees or such other amount as is allowed under the Internal Revenue Code of 1986, as amended (the "Code"). Subject to this limit, the Board determines the amount to be contributed for each year based on the Company's overall performance, the amounts contributed in prior years, the amounts of prior contributions recently forfeited by eligible employees due to termination of employment prior to vesting and recommendations from the Company's Chief Executive Officer.

When the Company calculates overall compensation for its senior management, it considers the benefits expected to be received under the Profit Sharing Plan.

*Perquisites and Other Benefits.* The only perquisites for senior managers are the provision of automobiles leased or owned by the Company to certain executive officers and other members of management.

Senior management also participates in the Company's other employee benefit plans on the same terms as other employees. These plans include medical and dental insurance and life insurance.

*Board Process.* The Compensation Committee of the Board approves all salary and bonus compensation and the Stock Option Committee of the Board approves all grants of stock options for executive officers. Executive officers include the Chief Executive Officer, the Chief Financial Officer and each person acting in a similar capacity during the 2007 fiscal year and the three other executive officers named in the 2007 Fiscal Year Summary Compensation Table elsewhere in this Proxy Statement. The Compensation Committee and the Stock Option Committee review the performance and compensation of the Chief Executive Officer and, following discussions with him, establish his compensation level. As he has in the past since the Company's 2001 fiscal year, the Chief Executive Officer, Brian E. Shore, declined to accept the Compensation Committee's offer of a bonus for the fiscal year ended February 26, 2006 and a salary increase for the fiscal year ended February 25, 2007. For the remaining executive officers, the Chief Executive Officer makes recommendations to the Compensation Committee and to the Stock Option Committee. The amount of discretionary contributions to the Profit Sharing Plan for each fiscal year is determined by the Board of Directors taking into account the recommendations of the Chief Executive Officer.

The Board, the Compensation Committee and the Stock Option Committee, as the case may be, use no set formulas in making their determinations and may afford different weight to different factors for each executive officer. Such weighting may vary from year to year.

*Section 162(m) of the Internal Revenue Code.* The Board and the Compensation Committee have reviewed the impact of Section 162(m) of the Code, which limits the deductibility of certain otherwise deductible compensation in excess of \$1 million paid to the Chief Executive Officer and the other executive officers named in the 2007 Fiscal Year Summary Compensation Table elsewhere in this Proxy Statement. It is the Company's

policy to attempt to design its executive compensation plans and arrangements to be treated as tax deductible compensation wherever, in the judgment of the Board or the Compensation Committee, as the case may be, to do so would be consistent with the objectives of that compensation plan or arrangement. Accordingly, the Board and the Compensation Committee from time to time may consider whether changes in the Company's compensation plans and arrangements may be appropriate to continue to fulfill the requirements for treatment as tax deductible compensation under the Code.

### 2007 Fiscal Year Summary Compensation Table

The following table shows all the compensation paid by the Company for the most recent fiscal year, February 27, 2006 to February 25, 2007, for the Company's Chief Executive Officer and Chief Financial Officer and each person acting in a similar capacity during the year and the three other most highly compensated executive officers who were serving in such capacities at the end of the Company's most recent fiscal year.

Name and Principal Position	Year (a)	Salary	Bonus (b)	Option Awards (c)	All Other Compensation (d), (e)	Total
Brian E. Shore Chairman of the Board, President and Chief Executive Officer	2007	\$ 357,760	\$	\$ 202,202	\$	\$ 559,962
James L. Zerby (f) Vice President and Chief Financial Officer	2007	98,654		4,617	0	103,271
Stephen E. Gillhuley (g) Executive Vice President Secretary and General Counsel	2007	189,769		75,825		265,594
James W. Kelly Vice President, Taxes and Planning	2007	145,000		73,874		218,874
Anthony W. DiGaudio (h) Vice President of Marketing and Sales	2007	145,000		31,018		176,018
Louis J. Stans (i) Vice President of Engineering and Quality and Research and Development	2007	153,750		13,665		167,415

(a) Information is provided for the Company's fiscal year ended February 25, 2007.

(b) The amounts of bonuses for the 2007 fiscal year have not yet been determined.

(c) The amounts in this column are the amounts recognized for financial statement reporting purposes with respect to the fiscal year ended February 25, 2007 for the fair value of stock options granted to each of the named officers in the 2007 fiscal year and in prior fiscal years in accordance with the Statement of Financial Accounting Standards No. 123 (R), "Share-Based Payment", as described in Note 7 of the Notes to Consolidated Financial Statements in Item 8 of Part II of the Company's Form 10-K Annual Report for the fiscal year ended February 25, 2007 filed with the Securities and Exchange Commission (disregarding estimates of forfeitures for service-based vesting). These amounts reflect the Company's accounting expense for such stock options and do not correspond to the actual value that will be realized by the named officers if and when they exercise the options.

(d) Includes the amounts of the Company's annual profit sharing contributions to the Company's Employees' Profit Sharing and 401(k) Retirement Savings Plan (the Plan) which were accrued for the accounts of the

named executive officers for the 2007 fiscal year. These amounts vest in accordance with a graduated scale based on years of service of the employee with the Company.

Substantially all full-time employees of the Company and its subsidiaries in the United States, including the Company's executive officers, participate in the profit sharing portion of the Plan, which is intended to provide retirement benefits to such employees and which is subject to the provisions of the Employee Retirement Income Security Act of 1974 ( ERISA ). The amounts of profit sharing contributions, if any, by the Company and its subsidiaries to the accounts of participating employees are percentages of the eligible compensation of the participating employees up to a maximum amount of compensation for each employee established under the Code, which was \$220,000 for the Company's most recent fiscal year. The Board decides annually the amount of the Company's profit sharing contribution, which is discretionary, but may not exceed 25% of the total remuneration paid to eligible employees or such other amount as is allowed under the Code. Subject to this limit, the Board determines the amount to be contributed for each year based on the Company's overall performance, the amounts contributed in prior years, the amounts of prior contributions recently forfeited by eligible employees due to termination of employment prior to vesting and recommendations from the Company's Chief Executive Officer. The percentages of compensation contributed to the Plan may vary between the Company and each subsidiary, but the percentage must be the same for each participating employee of the Company or the subsidiary, as the case may be. The percentages of compensation to be contributed to the Plan for the 2007 fiscal year have not yet been determined.

Substantially all full-time employees of the Company's subsidiaries in the United States are eligible to receive contributions by the subsidiaries to match the contributions of the employees to the 401(k) retirement savings portion of the Plan, with the maximum matching contribution being 3% of the compensation of the employees. However, employees of the Company are not eligible to receive such matching contributions, but it has been the Company's practice to determine a gross annual profit sharing percentage of eligible compensation to be contributed by each subsidiary to the profit sharing portion of the Plan and to reduce such percentage by the average percentage of the compensation of such subsidiary's employees that was contributed by such subsidiary as 401(k) retirement savings matching contributions. Consistent with this practice, to compensate employees of the Company for their ineligibility for matching contributions to the 401(k) retirement savings portion of the Plan, the Company approved profit sharing contributions in prior years for the named executive officers and for the other employees of the Company which were not reduced for any 401(k) retirement savings matching contributions, because such officers and other employees of the Company are not eligible to receive such matching contributions.

- (e) The Company provides no personal benefits to its executive officers other than automobiles for certain officers, the value of which is less than \$10,000 per year and is not included in the 2007 Fiscal Year Summary Compensation Table.
- (f) Mr. Zerby was appointed Vice President and Controller on July 24, 2006, and he was elected Vice President and Chief Financial Officer on October 24, 2006.
- (g) Mr. Gilhuley was elected Executive Vice President on October 24, 2006 in addition to the positions of Secretary and General Counsel. He had been Senior Vice President.
- (h) Mr. DiGaudio was appointed Vice President of Marketing in June 2006 in addition to the position of Vice President of Sales.
- (i) Mr. Stans was appointed Vice President of Research and Development in January 2007 in addition to the positions of Vice President of Engineering and Vice President of Quality.

#### **Grants of Plan-Based Awards in 2007 Fiscal Year**

During the last completed fiscal year, the only plan pursuant to which the Company granted awards of any kind to its executive officers was its 2002 Stock Option Plan. The 2002 Stock Option Plan has been approved by the Company's stockholders and provides for the grant of stock options to directors and key employees of the Company. The Company's 2002 Stock Option Plan provides for the grant of both options which qualify as incentive stock options under the Code and non-qualified stock options. All options granted under the 2002 Stock Option Plan have exercise prices equal to the market value of the underlying

Common Stock of the Company on the dates of grant, which, in accordance with the terms of such Plan, is the reported closing price of the Common Stock on the New York Stock Exchange on the date preceding the date the option is granted. Options granted under the Plan become exercisable 25% one year from the date of grant, with an additional 25% exercisable each succeeding anniversary of the date of grant, and expire 10 years from the date of grant. The 2002 Stock Option Plan is administered by the Stock Option Committee.

The following table provides information with respect to options to purchase shares of Common Stock granted pursuant to the 2002 Stock Option Plan to the named executive officers during the Company's last fiscal year. The table provides no information regarding non-equity incentive plan awards or equity incentive plan awards or stock awards because the Company does not have any non-equity or equity incentive plan and does not award stock to any of its executive officers or to any of its other employees.

Name	Grant Date (a)	All Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards (\$/Sh) (b)	Grant Date Market Price (b)	Grant Date Fair Value of Option Awards (c)
Brian E. Shore	August 3, 2006	35,000	\$ 25.35	\$ 26.00	\$ 382,900
James L. Zerby	August 3, 2006	4,000	25.35	26.00	42,840
Stephen E. Gilhuley	August 3, 2006	14,000	25.35	26.00	153,160
James W. Kelly	August 3, 2006	12,500	25.35	26.00	136,750
Anthony W. DiGaudio	August 3, 2006	11,000	25.35	26.00	120,340
Louis J. Stans	August 3, 2006	5,000	25.35	26.00	54,700

- (a) Grant date is the date on which stock options were granted to the named executive officers under the Company's 2002 Stock Option Plan.
- (b) All options granted under the 2002 Stock Option Plan have exercise prices equal to the market value of the underlying Common Stock of the Company on the dates of grant, which, in accordance with the terms of such Plan, is the reported closing price of the Common Stock on the New York Stock Exchange on the date preceding the date the option is granted. The reported closing price of the Common Stock on the New York Stock Exchange on August 3, 2006, the date of grant, was \$26.00
- (c) The value for options was estimated at the dates of grants using the Black-Scholes option-pricing model with the assumptions described in Note 7 of the Notes to Consolidated Financial Statements in Item 8 of Part II of the Company's Form 10-K Annual Report for the fiscal year ended February 25, 2007 filed with the Securities and Exchange Commission.

#### Outstanding Equity Awards at 2007 Fiscal Year-End

The following table provides information regarding unexercised stock options held by the named executive officers as of the end of the Company's last fiscal year. The table provides no information regarding equity incentive plan awards or stock awards because the Company does not have any equity incentive plan and does not award stock to any of its executive officers or to any of its other employees.

All stock options held by the named executive officers and by all other employees of the Company have been granted under the Company's 1992 Stock Option Plan or 2002 Stock Option Plan. Both Stock Option Plans have been approved by the Company's stockholders and provide for the grant of stock options to directors and key employees of the Company. All options granted under such Plans have exercise prices equal to the market value of the underlying common stock of the Company on the dates of grant which, in accordance with such Plans, is the reported closing price of the Common Stock on the New York Stock Exchange on the date preceding the date the option is granted. Options granted under the Plans become exercisable 25% one year after the date of grant, with an additional 25% exercisable each succeeding anniversary of the date of grant, and expire ten years after the date of grant. The authority to grant additional options under the 1992 Stock Option Plan expired on March 24, 2002.

## Outstanding Equity Awards at 2007 Fiscal Year-End

## Option Awards

Name	Option Grant Date	Number of Securities Underlying Unexercised Options (#) Exercisable (a)	Number of Securities Underlying Unexercised Options (#) Unexercisable (a)	Option Exercise Price (\$)	Option Expiration Date (b)
Brian E. Shore	5/28/98	60,000	0	\$ 15.83	5/28/08
	6/15/99	60,000	0	16.54	6/15/09
	5/22/00	75,000	0	15.92	5/22/10
	7/19/01	40,000	0	23.60	7/19/11
	3/20/02	25,000	0	29.05	3/20/12
	7/24/03	15,000	5,000	19.95	7/24/13
	7/08/04	10,000	10,000	23.00	7/08/14
	8/24/05	8,750	26,250	24.56	8/24/15
	8/03/06	0	35,000	25.35	8/03/16
James L. Zerby	8/03/06	0	4,000	25.35	8/03/16
Stephen E. Gilhuley	6/15/99	4,500	0	16.54	6/15/09
	5/22/00	4,406	0	15.92	5/22/10
	7/16/01	20,000	0	23.60	7/19/11
	3/20/02	10,000	0	29.05	3/20/12
	7/24/03	5,625	1,875	19.95	7/24/13
	7/08/04	3,750	3,750	23.00	7/08/14
	8/24/05	3,125	9,375	24.56	8/24/15
		8/03/06	0	14,000	25.35
James W. Kelly	5/28/98	1,500	0	15.83	5/28/08
	6/15/99	2,250	0	16.54	6/15/09
	5/22/00	4,500	0	15.92	5/22/10
	7/19/01	7,500	0	23.60	7/19/11
	3/20/02	7,500	0	29.05	3/20/12
	7/24/03	7,500	2,500	19.95	7/24/13
	7/08/04	3,750	3,750	23.00	7/08/14
	8/24/05	2,500	7,500	24.56	8/24/15
	8/03/06	0	12,500	25.35	8/03/16
Anthony W. DiGaudio	7/24/03	225	75	19.95	7/24/13
	7/08/04	1,250	1,250	23.00	7/08/14
	8/24/05	1,500	4,500	24.56	8/24/15
	8/03/06	0	11,000	25.35	8/03/16
Louis J. Stans	1/19/05	2,500	2,500	19.89	1/19/15
	8/03/06	0	5,000	25.35	8/03/16

(a) All options become exercisable 25% one year after the date of grant, with an additional 25% exercisable each succeeding anniversary of the date of grant.

(b) All options expire ten years after the date of grant.

**Option Exercises in 2007 Fiscal Year**

The following table provides information regarding the pre-tax value realized from the exercise of stock options by the named executive officers during the Company's last fiscal year. The table provides no information

regarding stock awards because the Company does not award stock to any of its executive officers or to any of its other employees.

Name	Option Awards	
	Number of Shares Acquired On Exercise (#)	Value Realized On Exercise (\$ (a))
Brian E. Shore (b)	37,500	\$ 562,500
James L. Zerby	0	0
Stephen E. Gilhuley	3,000	50,310
James. W. Kelly	0	0
Anthony W. DiGaudio	0	0
Louis J. Stans	0	0

- (a) The Company has not granted stock appreciation rights. Value realized equals market value of the underlying shares of Common Stock on the date of exercise, which is the reported closing price of the Common Stock on the New York Stock Exchange on such date, less the exercise price, times the number of shares acquired, without deducting any taxes paid by the employee.
- (b) Mr. Shore exercised an option to purchase 37,500 shares of Common Stock of the Company on April 24, 2006 because the option, which had been granted on May 14, 1996, was scheduled to expire on May 14, 2006.

#### Equity Compensation Plan Information

The following table provides information as of the end of the Company's most recent fiscal year with respect to compensation plans (including individual compensation arrangements) under which equity securities of the Company are authorized for issuance.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (A))
	(A)	(B)	(C)
Equity compensation plans approved by security holders (a)	1,066,627	\$ 21.61	351,843
Equity compensation plans not approved by security holders (a)	0	0	0
Total	1,066,627	\$ 21.61	351,843

- (a) The Company's only equity compensation plans are its 2002 Stock Option Plan, which was approved by the Company's shareholders in July 2002, and its 1992 Stock Option Plan, which was approved by the Company's shareholders in July 1992. Authority to grant additional options under the 1992 Plan expired on March 24, 2002, and all options granted under the 1992 Plan will expire in March 2012 or earlier; and authority to grant additional options under the 2002 Plan will expire on May 21, 2012, and all options granted to date under the 2002 Plan will expire in August 2016 or earlier.

#### Pension Benefits and Non-Qualified Defined Contribution and Other Non-Qualified Deferred Compensation Plans

The Company does not have a traditional defined benefit pension plan and does not provide pension benefits for its executive officers or for any of its other employees, and the Company does not have any non-qualified



defined contribution plan or other non-qualified deferred compensation plan for its executive officers or for any of its other employees.

### **Employment and Consulting Agreements**

The Company does not have employment agreements or employment termination or severance agreements or change-of-control agreements with any of its executive officers or any of its other employees. All of the Company's executive officers and other employees are employees-at-will, meaning that either the employee or the Company may terminate the employee's employment at any time for any reason or for no stated reason and with or without an explanation.

Jerry Shore, the founder of the Company in 1954, was Chairman of the Board of the Company until July 14, 2004, President of the Company until March 4, 1996 and Chief Executive Officer of the Company until November 19, 1996. In accordance with the provisions of an amended and restated employment agreement between Jerry Shore and the Company, as amended, Jerry Shore served as Chairman of the Board, and effective as of March 3, 1997, the first day of the Company's 1998 fiscal year, he retired from full-time employment with the Company and commenced serving as a consultant for a term of five years. In accordance with the employment agreement, he was being paid an annual consulting fee equal to 60% of his base salary in effect under the agreement at the time of his retirement, subject to an indexed cost of living increase. In October 1997, in connection with the Company's agreement to participate in a split dollar life insurance agreement for Jerry Shore's benefit as discussed under the caption "Transactions with Related Persons" below, Jerry Shore agreed to extend his consulting term for an additional year and agreed not to compete with the Company during the consulting term. Jerry Shore's consulting term expired on March 2, 2003.

### **Transactions with Related Persons**

Consistent with the Company's Code of Ethics for its chief executive officer, chief financial officer and controller and the Company's Code of Business Conduct and Ethics for its directors, officers and employees, any transaction between the Company and any director or executive officer of the Company or any immediate family member of a director or executive officer of the Company requires the approval of the Company's general counsel or chief executive officer and the Board.

During the last fiscal year, Brian E. Shore, the Company's Chief Executive Officer, from time to time used an aircraft owned by him to conduct business on behalf of the Company. The Company paid Mr. Shore an aggregate of \$139,200 as reimbursement for a portion of the costs associated with the use of this aircraft for Company business. The Board believes that the amounts paid by the Company to Mr. Shore as reimbursement for use of this aircraft for Company business were substantially less than the amounts that the Company would have paid for the use of a similar aircraft owned by an independent third-party. The Board also believes that such amounts reimbursed to Mr. Shore were substantially less than the variable and fixed costs incurred by Mr. Shore and attributable to such use of this aircraft and substantially less than the costs associated with the type of aircraft owned by Mr. Shore analyzed by an independent aircraft expert and that the use of Mr. Shore's aircraft for Company business inured substantially to the benefit of the Company.

In October 1997, the Company entered into a split-dollar life insurance agreement with a trust established by Jerry Shore for the benefit of his descendants, of which Jerry Shore's children, including the Company's Chief Executive Officer, Brian E. Shore, are the trustees. Pursuant to this agreement, the Company was obligated to pay to Jerry Shore an amount equal to the portion of the annual premiums on two life insurance policies held in the trust that represented the economic benefit to Jerry Shore calculated in accordance with United States Treasury Department rules then in effect, and the Company was obligated to pay to the insurers the balance of the annual premiums on the policies. Both policies were joint life policies payable on the death of the survivor of Jerry Shore and his spouse, with an aggregate face value of \$5 million. The aggregate amount of the premiums on the policies paid by the Company to the insurers constituted indebtedness from the trust to the Company and was secured by collateral assignments of the policies.

In light of certain provisions of the Sarbanes-Oxley Act of 2002, during the 2004 fiscal year the Company limited its payment under this agreement to the payment of \$6,703 to Jerry Shore, which was the economic benefit to him for such fiscal year, and made no payment to the insurers. Due to changes in the income taxation of split-dollar life insurance arrangements, the Company made no further payments under this agreement to either

Jerry Shore or the insurers during the 2005 and 2006 fiscal years, and the Company and Mr. Shore agreed to terminate this agreement during the 2007 fiscal year.

Pursuant to the termination of the split-dollar life insurance agreement, the trust established by Jerry Shore surrendered the life insurance policies to the insurers and paid \$650,202 to the Company, which was the aggregate amount of the premiums on the life insurance policies paid by the Company to the insurers and which constituted indebtedness from the trust to the Company, and the Company paid \$1,335,340 to Mr. Shore to compensate him for the loss of the benefits that would have been provided by the life insurance policies.

#### **Compensation Committee Report**

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis included elsewhere in this Proxy Statement with management of the Company; and based on such review and discussion, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement and in the Company's Form 10-K Annual Report for the fiscal year ended February 25, 2007 filed with the Securities and Exchange Commission.

*Compensation Committee*

Anthony Chiesa, Chairman  
Dale Blanchfield  
Steven T. Warshaw

#### **Compensation Committee Interlocks and Insider Participation**

Anthony Chiesa, a member of the Compensation and Stock Option Committees, is a former Vice President of the Company who retired in 1977. Brian E. Shore, a director of the Company who is also President and Chief Executive Officer of the Company, participated in deliberations of the Board relating to the amount of the Company's contribution to the Profit Sharing Plan during the Company's 2006 fiscal year.

#### **SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Exchange Act requires the Company's officers and directors, and persons who own more than 10 percent of a registered class of the Company's equity securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission and the New York Stock Exchange. Officers, directors and greater than 10 percent shareholders are required by regulations of the Securities and Exchange Commission to furnish the Company with copies of all Section 16(a) reports they file. Based solely on a review of the copies of such reports furnished to the Company, or written representations that no Form 5 reports were required, the Company believes that all Section 16(a) filing requirements applicable to its officers, directors and greater than 10 percent beneficial owners were complied with during the 2007 fiscal year, except that, as a result of administrative oversights within the Company, Messrs. Blanchfield, Chiesa, Frank, Shore, Warshaw, Gilhuley, Kelly, DiGaudio and Stans did not file their Form 4 Statements of Changes in Beneficial Ownership of Securities in a timely manner reporting their acquisitions of stock options from the Company on August 3, 2006.

#### **SHAREHOLDER PROPOSALS**

Shareholder proposals intended to be presented at the 2008 Annual Meeting of Shareholders pursuant to Rule 14a-8 under the Exchange Act must be received by the Company at the Company's principal executive offices for inclusion in the Proxy Statement and form of Proxy relating to that meeting by February 22, 2008. In order for shareholder proposals made outside of Rule 14a-8 under the Exchange Act to be considered timely within the meaning of Rule 14a-4(c) under the Exchange Act, such proposals must be received by the Company at the Company's principal executive offices by April 19, 2008. The Company's By-Laws require that proposals of

shareholders made outside of Rule 14a-8 under the Exchange Act must be submitted, in accordance with the requirements of the By-Laws, not later than April 19, 2008 and not earlier than March 20, 2008.

## OTHER MATTERS

### Audit Committee Report

The Audit Committee assists the Board in fulfilling its oversight responsibilities with respect to the accounting, auditing, financial reporting, internal control and legal compliance functions of the Company and its subsidiaries. The Board of Directors has determined that all members of the Audit Committee are independent, as required by the current rules of the New York Stock Exchange. The Committee functions pursuant to a Charter that has been adopted by the Board, as required by rules of the New York Stock Exchange.

Management of the Company is responsible for the preparation, presentation and integrity of the Company's financial statements, and for maintaining appropriate accounting and financial reporting principles and policies and internal controls and procedures designed to provide reasonable assurance of compliance with accounting standards and applicable laws and regulations. The independent registered public accounting firm is responsible for planning and carrying out an audit in accordance with generally accepted auditing standards and expressing an opinion as to the conformity of the financial statements with generally accepted accounting principles.

In the performance of its oversight function, the Audit Committee has reviewed and discussed the audited financial statements for the fiscal year ended February 25, 2007 with management and with Grant Thornton LLP, the Company's independent registered public accounting firm for the 2007 fiscal year. The Audit Committee has also received from the independent registered public accounting firm a letter pursuant to Statement on Auditing Standards No. 61, *Codification of Statements on Auditing Standards, AU 380*, as currently in effect, and has discussed the matters referred to in such letter with such firm. The Audit Committee has also received the written disclosures and the letter from the independent registered public accounting firm required by Independence Standards Board Standard No. 1, *Independence Discussions with Audit Committees*, as currently in effect. The Audit Committee has considered whether the provision of non-audit services by the independent registered public accounting firm to the Company is compatible with maintaining such firm's independence and has discussed with Grant Thornton LLP their independence.

The members of the Audit Committee are not professionally engaged in the practice of auditing or accounting. The Audit Committee's considerations and discussions referred to above do not assure that the audit of the Company's financial statements for the fiscal year ended February 25, 2007 has been carried out in accordance with generally accepted auditing standards or that the financial statements are presented in accordance with generally accepted accounting principles.

Based upon the review and discussions described in this Report, and subject to the limitations on the role and responsibilities of the Audit Committee referred to above and in the Charter, the Audit Committee has recommended to the Board that the audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended February 25, 2007 for filing with the Securities and Exchange Commission.

*Audit Committee*

Lloyd Frank, Chairman  
Anthony Chiesa  
Steven T. Warshaw

**Auditor and Fees**

Grant Thornton LLP was the Company's independent auditor for the last fiscal year, and a representative of Grant Thornton LLP is expected to be present at the Annual Meeting and will have an opportunity to make a statement if such representative so desires and will be available to respond to appropriate questions.

The Audit Committee has appointed Grant Thornton LLP as independent auditor of the Company for the current fiscal year, which ends March 2, 2008.

The following table shows the fees paid or accrued for audit services and fees paid or accrued for audit-related, tax and all other services rendered by Grant Thornton LLP for the last two fiscal years ended February 25, 2007 and February 26, 2006:

	<u>2007</u>	<u>2006</u>
Audit Fees (a)	\$ 997,721	\$ 1,015,687
Audit-Related Fees	0	0
Tax Fees (b)	0	2,600
All Other Fees	0	0
	<u>\$ 997,721</u>	<u>\$ 1,018,287</u>

(a) Audit fees include fees for the audit of the Company's consolidated financial statements, interim reviews of the Company's quarterly financial statements, audit services provided in connection with required statutory audits of many of the Company's subsidiaries and the audit of the Company's management's assessment of the effectiveness of internal control over financial reporting.

(b) Tax fees include fees for services relating to tax compliance. These services include assistance regarding federal, state and international tax compliance.

The services performed by Grant Thornton were pre-approved in accordance with the pre-approval policy adopted by the Audit Committee.

**Audit Committee Pre-Approval Policy**

The policy of the Audit Committee is to require that all services to be provided to the Company by the Company's auditor must be approved by the Audit Committee before such services are provided by the auditor.

**Directors and Officers Liability Insurance**

The Company has for many years maintained directors' and officers' liability insurance and fiduciary liability insurance covering the directors and officers of the Company and its subsidiaries against certain claims arising out of their service to the Company and its subsidiaries and to certain employee benefit plans of the Company and its subsidiaries. The current directors' and officers' liability insurance policy runs for a period of one year expiring May 17, 2008 at a total cost of \$160,000; and the current fiduciary liability insurance policy runs for a period of one year expiring May 17, 2008 at a cost of \$9,150.

**Proxy Solicitation**

The Company will bear the expense of proxy solicitation. Directors, officers and employees of the Company and its subsidiaries may solicit proxies by mail, telephone, telegraph, facsimile or in person (but will receive no additional compensation for such solicitation). The Company also has retained D. F. King & Co., Inc., New York, New York, to assist in the solicitation of proxies in the same manner at an anticipated fee of approximately \$7,500, plus reimbursement of certain out-of-pocket expenses. In addition, brokerage houses and other custodians, nominees and fiduciaries will be requested to forward the soliciting material to beneficial owners and to obtain authorizations for the execution of proxies, and if they in turn so request, the Company will reimburse such brokerage houses and other custodians, nominees and fiduciaries for their expenses in forwarding such material.

## **Director Candidates**

The Nominating Committee will consider director candidates recommended by shareholders. In considering candidates submitted by shareholders, the Nominating Committee will take into consideration the needs of the Board and the qualifications of the candidate. The Committee may also consider the number of shares held by the recommending shareholder and the length of time that such shares have been held. To have a candidate considered by the Nominating Committee, a shareholder must submit the recommendation in writing and must include the name of the shareholder and evidence of the person's ownership of Company stock, including the number of shares owned and the length of time of ownership, and the name of the candidate, the candidate's resume or a listing of his or her qualifications to be a director of the Company and the person's consent to be named as a director if selected by the Nominating Committee and nominated by the Board.

The shareholder recommendation and information described above must be sent to the Corporate Secretary at the Company's office at 48 South Service Road, Melville, New York 11747 and must be received by the Corporate Secretary not less than 120 days prior to the anniversary date of the Company's most recent annual meeting of shareholders.

The Nominating Committee believes that the minimum qualifications for serving as a director of the Company are that a nominee demonstrate, by significant accomplishment in his or her field, an ability to make a meaningful contribution to the Board's oversight of the business and affairs of the Company and have an impeccable record and reputation for honest and ethical conduct in both his or her professional and personal activities. In addition, the Nominating Committee examines a candidate's specific experiences and skills, time availability in light of other commitments and potential conflicts of interest.

The Nominating Committee identifies potential nominees by asking current directors and executive officers to notify the Committee if they become aware of persons, meeting the criteria described above, who have had a change in circumstances that might make them available to serve on the Board—for example, retirement as a CEO or CFO of a public company. As described above, the Nominating Committee will also consider candidates recommended by shareholders.

When a person has been identified by the Nominating Committee as a potential candidate, the Committee may collect and review publicly available information regarding the person to assess whether the person should be considered further. If the Nominating Committee determines that the candidate warrants further consideration, the Chairman or another member of the Committee contacts the person. Generally, if the person expresses a willingness to be considered and to serve on the Board, the Nominating Committee requests information from the candidate, reviews the candidate's accomplishments and qualifications, including in light of any other candidates whom the Committee might be considering, and conducts one or more interviews with the candidate. In certain instances, Nominating Committee members may contact one or more references provided by the candidate or may contact other members of the business community or other persons who may have greater first-hand knowledge of the candidate's accomplishments. The Nominating Committee's evaluation process does not vary based on whether or not a candidate is recommended by a shareholder, although, as stated above, the Committee may take into consideration the number of shares held by the recommending shareholder and the length of time that such shares have been held.

## **Communications with Directors**

The Board has established a process to receive communications from shareholders and other interested parties. Shareholders and other interested parties may contact any member (or all members) of the Board, including the non-management directors as a group, by mail. To communicate with the Board of Directors, any individual director or the non-management directors, correspondence should be addressed to the Board of Directors or any such individual director or the non-management directors by either name or title. All such correspondence should be sent c/o Corporate Secretary at the Company's office at 48 South Service Road, Melville, New York 11747.

All communications received as set forth in the preceding paragraph will be opened by the office of the Company's General Counsel for the sole purpose of determining whether the contents represent a message to the directors of the Company. Any contents that are not in the nature of advertising, promotions of a product or service, or patently offensive material will be forwarded promptly to the addressee. In the case of communications to the Board or the non-management directors, the General Counsel's office will make sufficient copies of the contents to send to each director who is a member of the group to which the communication is addressed.

### **Code of Ethics and Business Conduct**

For forty years, the Company has maintained basic corporate rules and guidelines agreed to in writing by its chief executive officer and its business unit presidents and controllers. Such rules and guidelines cover such matters as personnel guidelines, transactions with suppliers, conflicts of interest and business ethics, transactions with relatives and friends, cash control and consolidations, capital expenditures, disposal of property, plant, equipment and inventory, insurance programs, legal matters and contracts, credit and collections, unusual business transactions and special charges and transfer charges, inventory levels, weekly and monthly financial reports and annual business plans, employee safety and environmental matters.

The Board has adopted a Code of Ethics for the Company's chief executive officer, chief financial officer and controller, and as required by rules of the New York Stock Exchange, the Board has adopted a Code of Business Conduct and Ethics for the Company's directors, officers and employees. Substantially all of the matters required to be addressed in the Code of Ethics and Code of Business Conduct and Ethics have been addressed in the corporate rules and guidelines which the Company has maintained since 1967, although the Code of Business Conduct and Ethics applies to all directors, officers and employees of the Company and its subsidiaries.

The Company's Code of Ethics and the Company's Code of Business Conduct and Ethics are available on the Company's web site at [www.parkedro.com](http://www.parkedro.com) under the caption "Charters and Codes" as required by rules of the New York Stock Exchange and the Securities and Exchange Commission. In addition, a copy of the Company's Code of Business Conduct and Ethics is available in print to any shareholder upon request submitted to the Corporate Secretary at the Company's office at 48 South Service Road, Melville, New York 11747. The Company intends to satisfy any disclosure requirements regarding an amendment to, or waiver from, the Code of Ethics by posting such information on the Company's web site at the above internet address.

### **Corporate Governance Guidelines**

The Board has adopted Corporate Governance Guidelines, which are available on the Company's web site at [www.parkedro.com](http://www.parkedro.com) under the caption "Charters and Codes" as required by rules of the New York Stock Exchange and are available in print to any shareholder upon request submitted to the Corporate Secretary at the Company's office at 48 South Service Road, Melville, New York 11747.

### **Other Matters to be Presented to the Meeting**

The Board does not know of any other matters to be brought before the Meeting. If any other matters not mentioned in this Proxy Statement are properly brought before the Meeting, including matters incident to the conduct of the Meeting or relating to the adjournment thereof, the persons named in the enclosed proxy intend to vote such proxy in accordance with their best judgment on such matters.

### **Annual Report**

The Annual Report, including financial statements, of the Company for the fiscal year ended February 25, 2007 is enclosed herewith but is not a part of the proxy soliciting material.

By Order of the Board of Directors,

STEPHEN E. GILHULEY  
*Executive Vice President,  
Secretary and General Counsel*

Dated: June 21, 2007

PROXY CARD

**PARK ELECTROCHEMICAL CORP.  
PROXY FOR ANNUAL MEETING OF SHAREHOLDERS JULY 18, 2007  
THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS**

**EACH PROPERLY EXECUTED PROXY WILL BE VOTED IN ACCORDANCE WITH SPECIFICATIONS MADE HEREON. IF NO SPECIFICATION IS MADE, THE SHARES REPRESENTED BY THIS PROXY WILL BE VOTED FOR THE NOMINEES, AND IN THE DISCRETION OF THE PROXIES ON ANY OTHER BUSINESS AS MAY PROPERLY COME BEFORE THE MEETING.**

The undersigned hereby acknowledges receipt of the Company's 2007 Annual Report and the accompanying Notice of Meeting and Proxy Statement and hereby revokes any proxy or proxies heretofore given.

The undersigned hereby constitutes and appoints ANTHONY CHIESA, LLOYD FRANK and BRIAN E.SHORE, and each of them, the attorneys and proxies of the undersigned, with full power of substitution, to attend the Annual Meeting of Shareholders of PARK ELECTROCHEMICAL CORP. (the Company) to be held at The Bank of New York, One Wall Street, New York, New York on July 18, 2007 at 10:00 o'clock A.M., New York time, and any adjournments or postponements thereof, to vote all the shares of Common Stock of the Company which the undersigned would be entitled to vote if personally present upon the following matters:

**The Board of Directors recommends a vote FOR proposal 1.**

**1. ELECTION OF DIRECTORS**

- o **FOR** all nominees listed below (except as marked to the contrary below).
- o **WITHHOLD AUTHORITY** to vote for all nominees listed below.

DALE BLANCHFIELD, ANTHONY CHIESA, LLOYD FRANK, BRIAN E.SHORE and STEVEN T.WARSHAW

**(INSTRUCTION:** To withhold authority to vote for any individual nominee, check the **FOR** box above and write the nominee's name in the space provided below.)

Please date and sign exactly as name appears hereon. Executors, administrators, trustees, etc. should so indicate when signing. If shares are held jointly, both owners should sign.

2. The transaction of such other business as may properly come before the meeting.

(Signature(s) of Shareholder(s))

**Detach above card, sign, date and mail in postage paid envelope provided.**

**PARK ELECTROCHEMICAL CORP.**

**PLEASE ACT PROMPTLY  
SIGN, DATE & MAIL PROXY CARD TODAY**