

**CORPORATE GOVERNANCE GUIDELINES  
OF PARK ELECTROCHEMICAL CORP.  
AS ADOPTED BY THE BOARD AS OF MAY 6, 2004**

The following Corporate Governance Guidelines have been adopted by the Board of Directors (the "Board") of Park Electrochemical Corp. (the "Company") to assist the Board in the exercise of its responsibilities. These Corporate Governance Guidelines are not intended to change or interpret any Federal or state law or regulation, including the Business Corporation Law of the State of New York, or the Certificate of Incorporation or By-laws of the Company. These Corporate Governance Guidelines are subject to modification from time to time by the Board.

## **THE BOARD**

### **Role of Directors**

The business of the Company shall be managed under the direction of the Board. A director is expected to spend the time and effort necessary to properly discharge such director's responsibilities. Accordingly, a director is expected to regularly attend meetings of the Board and committees on which such director sits, and to review prior to meetings material distributed in advance for such meetings. A director who is unable to attend a meeting (which it is understood will occur on occasion) is expected to notify the Chairman of the Board or the Chairman of the appropriate committee in advance of such meeting.

### **The Board's Goals**

The Board's goal is to ensure that the Company's management builds long-term fundamental value for the Company's employees, stockholders, customers and other individuals and organizations who depend on the Company.

To achieve these goals the Board will monitor both the performance of the Company (in relation to its goals, strategy and competitors) and the performance of the Chief Executive Officer, and offer him or her constructive advice and feedback.

### **Selection of the Chairman of the Board**

The Board does not require the separation of the offices of the Chairman of the Board and the Chief Executive Officer. The Board shall be free to choose its Chairman of the Board in any way that it deems best for the Company at any given point in time.

### **Size of the Board**

The Board believes that it should generally have no fewer than five and no more than fifteen directors. This range permits diversity of experience without hindering effective discussion or diminishing individual accountability. The size of the Board could, however, be increased or decreased if determined to be appropriate by the Board. For

example, it may be desirable to increase the size of the Board in order to accommodate the availability of an outstanding candidate for director.

### **Selection of New Directors**

The Board shall be responsible for nominating members for election to the Board and for filling vacancies on the Board that may occur between annual meetings of stockholders. The Nominating Committee is responsible for identifying, screening and recommending candidates to the Board for Board membership. When formulating its Board membership recommendations, the Nominating Committee shall also consider advice and recommendations from others as it deems appropriate.

The Nominating Committee will consider 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 Nominating Committee may establish procedures, from time to time, regarding shareholder submission of candidates.

### **Board Membership Criteria**

The Nominating Committee shall be responsible for assessing the appropriate balance of criteria required of Board members.

The Nominating Committee may apply several criteria in selecting nominees. At a minimum, the Committee shall consider (a) whether each such nominee has demonstrated, 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 (b) the nominee's reputation for honesty and integrity in his or her personal and professional activities. Additional factors which the Committee may consider include a candidate's specific experiences and skills, relevant industry background and knowledge, time availability in light of other commitments, potential conflicts of interest, material relationships with the Company and independence from management and the Company. The Nominating Committee also may seek to have the Board represent a diversity of backgrounds and experience.

### **Other Public Company Directorships**

The Company does not have a policy limiting the number of other public company boards of directors upon which a director may sit, in general. However, the Nominating and Corporate Governance Committee shall consider the number of other public company boards and other boards (or comparable governing bodies) on which a prospective nominee is a member.

Although the Company does not impose a limit on outside directorships, it does recognize the time commitments attendant to Board membership and expects that the members of its Board be fully committed to devoting all such time as is necessary to fulfill their Board responsibilities, both in terms of preparation for, and attendance and participation at meetings.

## **Independence of the Board**

The Board shall be comprised of a majority of directors who qualify as independent directors ("Independent Directors") under the listing standards of the New York Stock Exchange (the "NYSE").

The Board shall review annually the relationships that each director has with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company). Following such annual review, only those directors who the Board affirmatively determines have no material relationship with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company) will be considered Independent Directors, subject to additional qualifications prescribed under the listing standards of the NYSE or under applicable law. The Board may adopt and disclose categorical standards to assist it in determining director independence. In the event that a director becomes aware of any change in circumstances that may result in such director no longer being considered independent under the listing standards of the NYSE or under applicable law, the directors shall promptly inform the Chairman of the Board and the Chairman of the Nominating Committee.

## **Directors Who Change Their Present Job Responsibility**

The Board does not believe that directors who retire or change the position they held when they became a member of the Board should necessarily leave the Board. Promptly following such event, the director must notify the Chairman of the Board and the Nominating Committee, which shall review the continued appropriateness of the affected director's remaining on the Board under the circumstances and report to the Board, which also shall review the continued appropriateness of the affected director's remaining on the Board under the circumstances. The affected director is expected to act in accordance with the Board's recommendation following such review.

## **Director Tenure**

In connection with each director nomination recommendation, the Nominating Committee shall consider the issue of continuing director tenure and take steps as may be appropriate to ensure that the Board maintains an openness to new ideas and a willingness to critically re-examine the status quo. An individual director's renomination is dependent upon an evaluation of such director's performance, as well as a review of such director's suitability, each to be conducted by the Nominating Committee in connection with each director nomination recommendation.

## **Board Compensation**

A director who is also an officer of the Company shall not receive additional compensation for such service as a director.

The Company believes that compensation for non-employee directors should be reasonable and appropriate. The Compensation Committee will periodically review the

level and form of the Company's director compensation, including how such compensation relates to director compensation of companies of comparable size, industry and complexity. Such review will also include a review of both direct and indirect forms of compensation to the Company's directors, including any consulting or other similar arrangements between the Company and a director. Changes to director compensation will be proposed to the full Board for consideration.

Director's fees (including any additional amounts paid to chairs of committees and to members of committees of the Board) are the only compensation a member of the Audit Committee may receive from the Company.

### **Separate Sessions of Non-Management Directors**

The non-management directors of the Company shall meet in executive session without management on a regularly scheduled basis. At each such meeting of the non-management directors, a non-management director designated by the non-management directors on the Board shall preside.

In the event that the non-management directors include directors who are not independent under the NYSE listing standards, the Company should, at least once a year, schedule an executive session including only independent directors.

Any interested parties desiring to communicate with the non-management directors regarding the Company may contact such directors by sending a written communication to the Corporate Secretary of the Company at 48 South Service Road, Melville, NY 11747 in an envelope with the notation "communication to non-management directors" or with the notation "communication to named director".

### **Self-Evaluation by the Board**

The Nominating Committee will sponsor an annual self-assessment of the Board's performance as well as the performance of each committee of the Board, the results of which will be discussed with the full Board and each committee. The assessment should include a review of any areas in which the Board or management believes the Board can make a better contribution to the Company. The Nominating Committee will utilize the results of this self-evaluation process in assessing and determining the characteristics and critical skills required of prospective candidates for election to the Board and making recommendations to the Board with respect to assignments of Board members to various committees.

### **Strategic Direction of the Company**

It is management's job to develop and implement strategic choices and the Board's role to review strategic direction and evaluate strategic results. However, as a practical matter, the Board and management will be better able to carry out their respective strategic responsibilities if there is an ongoing dialogue among the Chief Executive Officer and other Board members.

### **Board Access to Management**

Board members shall have access to the Company's management and, as appropriate, to the Company's outside advisors. Board members shall coordinate such access through the Chief Executive Officer and Board members will use judgment to assure that this access is not distracting to the business operation of the Company.

### **Attendance of Management Personnel at Board Meetings**

The Chief Executive Officer may bring members of management from time to time into Board meetings to (i) provide management insight into items being discussed by the Board which involve the manager, (ii) make presentations to the Board on matters which involve the manager, and (iii) bring managers with significant potential into contact with the Board.

### **Board Materials Distributed in Advance**

Information and materials that are important to the Board's understanding of the agenda items and other topics to be considered at a Board meeting should, to the extent practicable, be distributed sufficiently in advance of the meeting to permit prior review by the directors. In the event of a pressing need for the Board to meet on short notice or if such materials would otherwise contain highly confidential or sensitive information, it is recognized that written materials may not be available in advance of the meeting.

### **Board Interaction with Institutional Investors, Analysts, Press and Customers**

The Board believes that management should speak for the Company. It is suggested that each director shall refer all inquiries from institutional investors, analysts, the press or customers to the Chief Executive Officer or his or her designee.

### **Board Orientation and Continuing Education**

The Company shall provide new directors with a director orientation program to familiarize such directors with, among other things, the Company's business, strategic plans, significant financial, accounting and risk management issues, compliance programs, conflicts policies, code of business conduct and ethics, corporate governance guidelines, principal officers, internal auditors and independent auditors. Each director is expected to participate in continuing educational programs in order to maintain the necessary level of expertise to perform his or her responsibilities as a director.

### **Director Attendance at Annual Meetings of Shareholders**

Directors are invited and encouraged to attend the Company's annual meeting of shareholders. A director who is unable to attend the Company's annual meeting of shareholders (which it is understood will occur on occasion) is expected to notify the Chairman of the Board.

## **BOARD MEETINGS**

### **Frequency of Meetings**

There shall be four regularly scheduled meetings of the Board each year. At least one regularly scheduled meeting of the Board shall be held quarterly.

### **Selection of Agenda Items for Board Meetings**

The Chief Executive Officer, in consultation with the Chairman of the Board, shall, before each meeting of the Board, prepare a "Board of Directors Agenda", which shall set forth a general agenda of items to be considered by the Board at such meeting. Thereafter, the Chairman of the Board, in consultation with the Chief Executive Officer, may adjust the agenda to include special items not contemplated during the initial preparation of the Agenda.

Upon completion, a copy of the Agenda shall be provided to the entire Board. Each Board member shall be free to suggest inclusion of items on the agenda as well as free to raise at any Board meeting subjects that are not specifically on the agenda for that meeting.

## **COMMITTEE MATTERS**

### **Number and Names of Board Committees**

The Company shall have five standing committees: Audit, Compensation, Corporate Governance, Nominating and Stock Option. The purpose and responsibilities for each of these committees shall be outlined in committee charters adopted by the Board. The Board may want, from time to time, to form a new committee or disband a current committee depending on circumstances. In addition, the Board may determine to form ad hoc committees from time to time, and determine the composition and areas of competence of such committees.

### **Independence of Board Committees**

Each of the Audit Committee, the Compensation Committee, the Corporate Governance Committee, the Nominating Committee and the Stock Option Committee shall be composed entirely of Independent Directors in order to satisfy applicable legal, regulatory and stock exchange requirements necessary for an assignment to any such Committee.

### **Assignment and Rotation of Committee Members**

The Nominating Committee shall be responsible, after consultation with the Chairman of the Board, for making recommendations to the Board with respect to the assignment of Board members to various committees. After reviewing the Nominating Committee's recommendations, the Board shall be responsible for appointing the Chairman and members to the committees on an annual basis.

The Nominating Committee shall annually review the Committee assignments with a view toward balancing the benefits derived from continuity against the benefits derived from the diversity of experience and viewpoints of the various directors.

## **LEADERSHIP DEVELOPMENT**

### **Selection of the Chief Executive Officer**

The Board shall be responsible for identifying potential candidates for, and selecting, the Company's Chief Executive Officer. In identifying potential candidates for, and selecting, the Company's Chief Executive Officer, the Board shall consider, among other things, a candidate's experience, understanding of the Company's business environment, leadership qualities, knowledge, skills, expertise, integrity, and commitment to the future of the Company.

### **Evaluation of Chief Executive Officer**

The Board will provide the Chief Executive Officer with an annual performance review for the prior year.

### **Succession Planning**

The Board shall plan for the succession to the position of the Chief Executive Officer.