GORMAN RUPP CO
Form 11-K
June 20, 2016
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 11-K

x **ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2015

OR

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

For the transition period from __________ to __________

Commission file number: 1-6747

a. Full Title of the plan and the address of the plan, if different from that of the issuer named below:

THE GORMAN-RUPP COMPANY 401(k) PLAN

b. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

The Gorman-Rupp Company

600 South Airport Road Mansfield, Ohio 44903

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The Exhibit Index is located on Page 14

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Required Information

Audited plan financial statements and schedules prepared in accordance with the financial reporting requirements of the Employee Retirement Income Security Act of 1974, as amended, are filed herewith in lieu of the requirements of audited statements of financial condition and audited statements of income and changes in plan equity.

Financial Statements and Exhibits

A) The following financial statements and schedules (including the report of Meaden & Moore) are filed as part of this annual report:

1) Statements of Net Assets Available for Benefits-December 31, 2015 and 2014

2) Statement of Changes in Net Assets Available for Benefits-Year ended December 31, 2015

3) Schedule of Assets (Held at End of Year)

B) The following exhibit is filed as part of this annual report:

(23) Consents of Independent Registered Public Accounting Firm

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Audited Financial Statements and

Supplemental Schedule

The Gorman-Rupp Company 401(k) Plan

December 31, 2015 and 2014, and Year Ended December 31, 2015

With Report of Independent Registered Public Accounting Firm

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The Gorman-Rupp Company 401(k) Plan

Audited Financial Statements

and Supplemental Schedule

December 31, 2015 and 2014, and

Year Ended December 31, 2015

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors

The Gorman-Rupp Company 401(k) Plan

Mansfield, Ohio

We have audited the accompanying Statement of Net Assets Available for Benefits of The Gorman-Rupp Company 401(k) Plan (the Plan) as of December 31, 2015 and 2014, and the related Statement of Changes in Net Assets Available for Benefits for the year then ended. These financial statements are the responsibility of the Plan s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2015 and 2014, and the changes in net assets available for benefits of the Plan for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The supplemental Schedule of Assets (Held at End of Year) as of December 31, 2015 has been subjected to audit procedures performed in conjunction with the audit of the Plan s financial statements. The supplemental schedule is the responsibility of the Plan s management. Our audit procedures included determining whether the supplemental schedule reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental schedule. In forming our opinion on the supplemental schedule, we evaluated whether the supplemental schedule, including its form and content, is presented in conformity with Department of Labor s (DOL) Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. In our opinion, the supplemental schedule is fairly stated, in all material respects, in relation to the financial statements as a whole.

/s/ Meaden & Moore, Ltd.

Cleveland, Ohio

June 20, 2015

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The Gorman-Rupp Company 401(k) Plan

Statements of Net Assets Available for Benefits

	December 31	
	2015	2014
Assets		
Investments	**$ 52,553,265**	$ 57,095,248
Receivables:		
Notes receivable from participants	**$ 1,483,849**	$ 1,373,800
Net assets available for benefits, at fair value	**$ 54,037,114**	$ 58,469,048

See accompanying notes.

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The Gorman-Rupp Company 401(k) Plan

Statement of Changes in Net Assets Available for Benefits

Year Ended December 31, 2015

Additions	
Investment income:	
Net depreciation in fair value of investments	$ (5,017,197)
Interest and dividends	2,076,512
	(2,940,685)
Interest income on notes receivable from participants	46,634
Contributions	
Participants	2,928,010
Employer	1,322,624
Rollovers	79,366
Total Contributions	4,330,000
Total Additions	1,435,949
Deductions	
Benefits paid to participants	5,867,883
Net decrease	(4,431,934)
Net assets available for benefits:	
Beginning of year	58,469,048
End of year	$ 54,037,114

See accompanying notes.

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The Gorman-Rupp Company 401(k) Plan

Notes to Financial Statements

December 31, 2015 and 2014, and

Year Ended December 31, 2015

1. Description of the Plan

The following description of The Gorman-Rupp Company 401(k) Plan (Plan) provides only general information. Participants should refer to the Summary Plan Description for a more complete description of the Plan s provisions.

General

The Plan is a defined contribution plan covering substantially all employees of the Corporate, Mansfield and Industries Divisions of The Gorman-Rupp Company (Company and Plan Administrator) and Patterson Pump Company, a subsidiary of the Company. Bank of America Merrill Lynch is the trustee and record keeper of the Plan. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Contributions

Each year, participants may contribute up to 40% of pretax annual compensation (15% for highly compensated employees), as defined in the Plan. Participants may also contribute amounts representing distributions from other qualified defined benefit or defined contribution plans. The Company contributes 40% of the first 4% of compensation that a participant contributes to the Plan provided such participant was hired prior to January 1, 2008. For employees hired after January 1, 2008, the Company contributes 50% of the first 6% of compensation that a participant contributes to the Plan. The Company also contributes a percentage of the employee s income based on the age of the employee and the years of service with the Company for employees hired on or after January 1, 2008.

Full-time employees are eligible to participate in the Plan upon hiring. The additional Company contribution for employees hired on or after January 1, 2008 has a 90 day waiting period.

Upon enrollment, a participant may direct employee contributions in whole increments to any of the investment fund options offered by the Plan. Employees may elect to transfer all or a portion (in 1% increments) of their account balance to any fund offered in the Plan, based on the value of their account on the immediately preceding valuation date. Rollovers are currently allowed by the Plan.

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The Gorman-Rupp Company 401(k) Plan

Notes to Financial Statements

1. Description of the Plan (continued)

Participant Accounts

Each participant s account is credited with the participant s contributions and allocations of the Company s contributions and allocations of Plan earnings. Allocations are based on participant earnings or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant s account.

Vesting

Participants are immediately vested in their contributions plus actual earnings thereon. Participants are also fully vested in the Company contribution portion of their accounts plus actual earnings thereon. Vesting in the Company age and service contribution is based on years of continuous service; a participant is 100% vested after three years of service.

Forfeitures

Upon termination of employment, participants forfeit their nonvested balances. If a participant is rehired within a five year period, the forfeited contributions are reinstated. Forfeited balances of terminated participant s nonvested accounts are used to reduce future Company contributions. Unallocated forfeitures balances as of December 31, 2015 and 2014 were $362 and $17, respectively.

Notes Receivable From Participants

Participants may borrow from their fund accounts a minimum of $1,000 up to a maximum equal to the lesser of $50,000 or 50% of their vested account balance. The term of the loan shall not exceed 5 years, or 20 years for the purchase of a primary residence. A participant may not have more than one loan at any point in time. The loans are secured by the balance in the participant s account and bear interest at the prime rate, as quoted in *The Wall Street Journal* at the date of loan origination. Principal and interest is paid ratably through payroll deductions.

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The Gorman-Rupp Company 401(k) Plan

Notes to Financial Statements

December 31, 2015 and 2014, and

Year Ended December 31, 2015

1. Description of the Plan (continued)

Payment of Benefits

Upon retirement or termination of employment, a participant may receive a lump-sum amount equal to the vested value of his or her account. A lump-sum payment is required at a participant s death. Participants may also receive payments upon reaching the age of 59 ½ or with proof of hardship as determined by the Plan Administrator.

Plan Termination

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event the Plan terminates, participants will become 100 percent vested in their accounts.

2. Summary of Significant Accounting Policies

New Accounting Pronouncements

The financial standards board issued Accounting Standard Update (ASU) 2015-07 Disclosures for Investments in Certain Entities that Calculate Net Asset Value (NAV) per share which is effective for fiscal years beginning after 12/15/15 (public entities) and 2016 (other entities), with early adoption permitted. The ASU eliminates the requirement to categorize investments for which Fair Value is measured at NAV per share as a practical expedient. Plan management has not yet determined the impact of this pronouncement to its financial statements or disclosures.

The financial standards board issued Accounting Standard Update (ASU) 2015-12 Plan Accounting: Topic 960, Defined Benefit Pension Plans; Topic 962, Defined Contribution Pension Plans; Topic 965, Health and Welfare Benefit Plans which is effective for fiscal years beginning after 12/15/2015, with early adoption permitted. The ASU eliminates the requirement to disclose individual investments that represent 5% or more of net assets available for benefits and the requirement to disclose net appreciation (depreciation) in fair value of investment by general type of investment. Plan managements has adopted this ASU for the 2015 financial statement disclosures.

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The Gorman-Rupp Company 401(k) Plan

Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting.

Notes Receivable from Participants

Notes receivable from participants represent participant loans that are recorded at their unpaid principal balance plus any accrued but unpaid interest. Interest income on notes receivable from participants is recorded when it is earned. Related fees are recorded as administrative expenses and are expensed when they are incurred. No allowance for credit losses has been recorded as of December 31, 2015 or 2014. If a participant ceases to make loan repayments and the plan administrator deems the participant loan to be a distribution, the participant loan balance is reduced and a benefit payment is recorded.

Common Collective Trust

The Federated Capital Preservation Fund (Class R6) is a common collective trust. The Fund Holds guaranteed investment contracts (traditional GICs), separate account guaranteed investment contracts (separate account GICs) and synthetic guaranteed investment contracts (synthetic GICs). The fair value of traditional GICs is determined based on the present value of the contract s expected cash flows, discounted by current market interest rates for like-duration and like-quality investments. The fair value of a separate account GIC and a synthetic GIC is determined based on the fair value of the securities underlying each GIC. The Fund attempts to maintain a stable price per unit of $10.00, however, there can be no assurance that the value of the units in the Fund will not fluctuate. Participants can transact with the trust on a daily basis.

Investment Valuation and Income Recognition

The Plan s investments are stated at fair value. The shares of registered investment companies are valued at quoted market prices which represent the net asset values of shares held by the Plan at year-end. The Company stock is valued at its quoted market price as of the last business day of the Plan s year.

In accordance with ASC 820, *Fair Value Measurements* (formerly FASB Statement No. 157), assets and liabilities measured at fair value are categorized into the following fair value hierarchy:

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The Gorman-Rupp Company 401(k) Plan

Notes to Financial Statements

December 31, 2015 and 2014, and

Year Ended December 31, 2015

2. Summary of Significant Accounting Policies (continued)

Level 1 Fair value is based on unadjusted quoted prices for identical assets or liabilities in an active market that the Plan has the ability to access at the measurement date.

Level 2 Fair value is based on quoted prices in markets that are not active, quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability. Level 2 inputs include the following:

Quoted prices for similar assets or liabilities in active markets

Quoted prices for identical or similar assets or liabilities in inactive markets

Observable inputs other than quoted prices that are used in the valuation of the asset or liabilities (e.g., interest rate and yield curve quotes at commonly quoted intervals)

Inputs that are derived from or corroborated by observable market data by correlation or other means

Level 3 Fair value is based on prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable. These inputs reflect management s judgment about the assumptions that a market participant would use in pricing the investment and are based on the best available information, some of which may be internally developed.

Purchase and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation includes the Plan s gains and losses on investments bought and sold as well as held during the year.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates that affect the amounts reported in the financial statements and accompanying notes and supplemental schedules. Actual results could differ from those estimates.

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The Gorman-Rupp Company 401(k) Plan

Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

Subsequent Events

Management evaluated subsequent events for the Plan through the date the financial statements were available to be issued.

3. Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., an exit price). The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The level of the fair value hierarchy within which the fair value measurement is classified is determined based on the lowest level input that is significant to the fair value measure in its entirety.

The following is a description of the valuation methodologies used for major categories of assets measured at fair value by the plan. There have been no changes in the methodologies used at December 31, 2015 and 2014.

Fair Value for Level 1 is based upon quoted market prices of common stock (unitized fund), money market and mutual funds.

Fair Value for Level 2 is determined by dividing the common collective trust s net assets by its units outstanding at the valuation dates.

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The Gorman-Rupp Company 401(k) Plan

Notes to Financial Statements

3. Fair Value Measurement (continued)

	Assets at Fair Value as of December 31, 2015			
	Level 1	**Level 2**	**Level 3**	**Total**
The Gorman-Rupp Company Stock Fund	**$ 14,262,433**	**$**	**$**	**$ 14,262,433**
Mutual Funds	**34,916,046**			**34,916,046**
Stable Value Fund		**3,374,786**		**3,374,786**
Total assets at fair value	**$ 49,178,479**	**$ 3,374,786**	**$**	**$ 52,553,265**

	Assets at Fair Value as of December 31, 2014			
	Level 1	Level 2	Level 3	Total
The Gorman-Rupp Company Stock Fund	$ 18,027,139	$	$	$ 18,027,139
Mutual Funds	35,118,840			35,118,840
Stable Value Fund		3,949,269		3,949,269
Total assets at fair value	$ 53,145,979	$ 3,949,269	$	$ 57,095,248

4. Party in Interest Transactions

The investments held in The Gorman-Rupp Company Stock Fund received dividends on the shares from the Plan Sponsor.

5. Administrative Costs

Fees for legal, accounting and other services rendered to the Plan are paid by the Company.

6. Risks and Uncertainties

The Plan has investments in The Gorman-Rupp Company Stock Fund of $14,262,433 or 26.4% of net assets as of December 31, 2015.

Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of the investment securities will occur in the near term and that such changes could materially affect participants account balances and the amounts reported in the statements of net assets available for benefits.

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The Gorman-Rupp Company 401(k) Plan

Notes to Financial Statements

7. Income Tax Status

The Plan has received a determination letter from the Internal Revenue Service dated July 23, 2012, stating that the Plan is qualified under section 401(a) of the Internal Revenue Code (Code) and, therefore, the related trust is exempt from taxation. Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualification. The Plan has subsequently been amended; however, the Plan Administrator believes the Plan is being operated in compliance with the applicable requirements of the Code and believes that the Plan is qualified and the related trust is tax-exempt.

Accounting principles generally accepted in the United States require plan management to evaluate uncertain tax positions taken by the Plan. The financial statement effects of a tax position are recognized when the position is more likely than not, based on the technical merits, to be sustained upon examination by the IRS. The plan administrator has analyzed the tax positions taken by the Plan, and has concluded that as of December 31, 2015, there are no uncertain positions taken or expected to be taken. The Plan has recognized no interest or penalties related to uncertain tax positions. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

8. Subsequent Events

The Plan was amended and restated effective January 1, 2016 to incorporate previous amendments and amend for recent law changes.

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The Gorman-Rupp Company 401(k) Plan

EIN: 34-0253990 Plan Number: 005

Schedule H, Line 4i Schedule of Assets

(Held at End of Year)

December 31, 2015

(a)	(b) Identity of Issuer, Borrower, Lessor or Similar Party	(c) Description of Investment Including Maturity Date, Rate of Interest, Par or Maturity Value	(d) Cost	(e) Current Value
*	The Gorman-Rupp Company Stock Fund	Stock Fund (Unitized Fund)	N/A	$ 14,262,433
	BIF Money Fund	Money Market Fund	N/A	$ 1,244
	Federated Capital Preservation Class R6	Common Collective Trust	N/A	3,374,786
	American Capital World Bond Fund Class R-6	Mutual Fund	N/A	390,054
	American Funds EuroPacific Growth Fund Class R-6	Mutual Fund	N/A	4,124,743
	First Eagle Global Fund Class 1	Mutual Fund	N/A	613,010
	Prudential Jennison Mid-Cap Growth Fund Class Z	Mutual Fund	N/A	292,184
	American Century Equity Growth Fund Class 1	Mutual Fund	N/A	3,276,875
	Transamerica Flexible Income 1	Mutual Fund	N/A	1,371,734
	Deleware Value Fund	Mutual Fund	N/A	2,857,867
	DFA US Small Cap Portfolio Fund Class Institutional	Mutual Fund	N/A	2,310,575
	John Hancock Disciplined Value Mid Cap Fund Class Institutional	Mutual Fund	N/A	2,305,875
	Metro West Low Duration Class 1	Mutual Fund	N/A	465,294
	Putnam Dynamic Asset Allocation Conservative Fund Class Y	Mutual Fund	N/A	1,217,956
	Principal Investors Real Estate Securities Fund Institutional Fund	Mutual Fund	N/A	1,028,923
	Lord Abbett Total Return Fund Class 1	Mutual Fund	N/A	4,449,801
	Oppenheimer Global Fund Class Y	Mutual Fund	N/A	1,441,322
	JPMorgan Market Expansion Enhanced Index Fund Select Class	Mutual Fund	N/A	2,499,599
	American Century Strategic Allocation Aggressive Fund Class 1	Mutual Fund	N/A	1,463,649

	Parametric Emerging Market Fund Class Institutional	Mutual Fund	N/A	439,565
	Columbia Balanced Fund Class R4	Mutual Fund	N/A	3,198,290
	Franklin Growth Fund Advisor Class	Mutual Fund	N/A	1,166,764
	Pending Settlement Fund	Mutual Fund	N/A	722
*	Notes Receivable From Participants	At interest rate of 3.25%-4.00%	N/A	1,483,849
		with maturity dates through 2034		$ 54,037,114

* Indicates party in interest to the plan

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SIGNATURES

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

THE GORMAN-RUPP COMPANY 401(k) PLAN

By: The Gorman-Rupp Company, as Plan Administrator

Date: June 20, 2016	By: /s/ Jeffrey S. Gorman Jeffrey S. Gorman, President and Chief Executive Officer
Date: June 20, 2016	By: /s/ Wayne L. Knabel Wayne L. Knabel, Executive Vice President, Chief Financial Officer and Treasurer
Date: June 20, 2016	By: /s/ Brigette A. Burnell Brigette A. Burnell, General Counsel and Secretary
Date: June 20, 2016	By: /s/ Ronald D. Pittenger Ronald D. Pittenger, Vice President, Assistant Treasurer, Assistant Secretary
Date: June 20, 2016	By: /s/ Donald P. Wischmeier Donald P. Wischmeier, Vice President Information Technology

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EXHIBIT INDEX

Exhibit Number	Description
23	Consent of Independent Registered Public Accounting Firms

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ft" width="12.2"> February 28, February 29, 2005 2004 Numerator for basic and diluted earnings per common share (in thousands): Net income $ 607 $ 612 Denominator for basic earnings per common share (in thousands): Weighted average shares outstanding 13,034 12,980 Denominator for diluted earnings per common share (in thousands): Weighted average shares outstanding 13,034 12,980 Effect of dilutive stock options 120 170 13,154 13,150 Earnings per common share: Basic $ 0.05 $ 0.05 Diluted $ 0.05 $ 0.05

Options to purchase 625,200 shares of Common Stock, at a weighted average exercise price of $8.68 per share, were outstanding at February 28, 2005, but were not included in the computation of diluted earnings per share because their inclusion would be antidilutive. At February 29, 2004, options to purchase 482,000 shares of Common Stock, at a weighted average exercise price of $9.61 per share, were similarly excluded.

Note 12- Comprehensive Income

The components of comprehensive income are as follows (in thousands):

	Three Months Ended	
	February 28, 2005	February 29, 2004
Net income	$ 607	$ 612
Foreign currency translation adjustments	68	228
Comprehensive income	$ 675	$ 840

The components of accumulated other comprehensive income are as follows (in thousands):

	February 28, 2005	November 30, 2004
Foreign currency translation adjustments	$ 195	$ 127

Note 13 - Stock Options

The Company accounts for stock-based compensation issued to its employees and directors in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees", and related Interpretations. Accordingly, the Company has elected to adopt the "disclosure only" provisions of Statement of Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure" ("SFAS No. 148"). SFAS No. 148 requires prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results.

For SFAS No. 148 purposes, the fair value of each option granted under the Company's stock option plans is estimated as of the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions: risk free interest rate of 2.00% in 2005 and 2004; volatility factor of the expected market price of the Company's Common Stock of 0.19 in 2005 and 0.32 in 2004; dividend yield of 0.00% each year; and a weighted average expected option life of five years.

If the Company had elected to recognize the compensation cost of its stock option plans based on the fair value method of accounting, net income and earnings per common share would have been decreased to the pro forma amounts below (in thousands, except per share data):

	Three Months Ended	
	February 28, 2005	February 29, 2004
Net income, as reported	$ 607	$ 612
Less: Stock-based employee compensation expense determined under fair value method, net of related tax effects	134	162
Pro forma net income	$ 473	$ 450
Earnings per common share:		
Basic, as reported	$ 0.05	$ 0.05
Basic, pro forma	0.04	0.03
Diluted, as reported	0.05	0.05
Diluted, pro forma	0.04	0.03

In December 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 123 (revised), "Share-Based Payment" ("SFAS No. 123R"), which requires all companies to measure compensation cost for all share-based payments (including employee stock options) at fair value. For most public entities, the provisions of SFAS No. 123R will be effective for interim or annual periods beginning after June 15, 2005. SFAS No. 123R applies to all awards granted after the required effective date and to awards modified, repurchased, or cancelled after that date.

Effective for the fourth quarter of fiscal 2005, the Company will adopt the provisions of SFAS No. 123R using a modified version of prospective application. Under this transition method, compensation cost will be recognized on or after the effective date for the portion of outstanding awards for which the requisite service has not yet been rendered, based on the grant date fair value of those awards previously calculated under SFAS No. 148 for pro forma disclosures. For periods before the required effective date, the Company expects to apply a modified version of retrospective application under which financial statements for prior periods are adjusted on a basis consistent with the pro forma disclosures required for those periods by SFAS No. 148. The Company currently expects the adoption of SFAS No. 123R will have an effect on its results of operations similar to the amounts reported historically in the Company's notes to consolidated financial statements under the pro forma disclosure provisions of SFAS No. 148.

Note 14 - Reportable Operating Segments

The Company was founded as a solutions- oriented company, designing and manufacturing products to suppress or eliminate electromagnetic interference ("EMI"). In recent years, the Company has broadened its focus and product lines to become a control products and systems company, providing a wide range of components and systems used to condition, regulate, transmit, receive, or govern electronic performance.

The Company's current operations are conducted in three reportable segments: signal integrity products; power integrity products and management systems; and frequency control products. The Company's Signal Integrity Products Group designs and manufactures a broad range of low pass EMI filters, surface mount EMI filters, filtered arrays, filtered connectors, gaskets, specialty ceramic capacitors, and our recently developed motor line feed-thru ("MLFT") filters. The Power Integrity Products and Management Systems Group designs and manufactures numerous power integrity products (power entry modules, multisection filters, power terminal blocks, and custom power filter assemblies) and power management systems (power distribution units, remote power management systems, fuse interface panels, breaker interface panels, and custom power distribution systems). Our Frequency Control Products Group designs and manufactures ceramic resonators and bandpass filters, ceramic patch antennas, duplexers, lumped element filters, cavity filters, waveguides, amplifiers, frequency mixers, oscillators, synthesizers, multiple channel filter banks, and related products and systems. The reportable segments are each managed separately because they manufacture and sell distinct products with different production processes.

The Company evaluates performance and allocates resources to its reportable segments based upon numerous factors, including segment income before income taxes. The accounting policies of the reportable segments are the same as those utilized in the preparation of the Company's consolidated financial statements. However, substantially all of the Company's selling expenses, general and administrative expenses, and nonoperating expenses are not allocated to the Company's reportable operating segments and, accordingly, these expenses are not deducted in arriving at segment income.

For each period presented, the accounting policies and procedures used to determine segment income have been consistently applied. Reportable segment information for the periods ended February 28, 2005 and February 29, 2004 is as follows (in thousands):

	Signal Integrity Products	Power Integrity Products and Mgt. Systems	Frequency Control Products	Total
Three Months Ended February 28, 2005				
Revenue from unaffiliated customers	$ 9,858	$ 3,741	$ 7,543	$ 21,142
Segment income	3,186	116	976	4,278
Three Months Ended February 29, 2004				
Revenue from unaffiliated customers	$ 10,635	$ 4,646	$ 1,844	$ 17,125
Segment income	3,172	829	22	4,023

A reconciliation of total reportable segment income to consolidated income before provision for income taxes for the periods ended February 28, 2005 and February 29, 2004 is as follows (in thousands):

	Three Months Ended	
	February 28, 2005	February 29, 2004
Total income for reportable segments	$ 4,278	$ 4,023
Unallocated amounts:		

Selling, general and administrative expense	(3,312)	(3,059)
Interest expense	(38)	(29)
Other income, net of other expense	71	52
Consolidated income before provision for income taxes	$ 999	$ 987

Note 15 - Contingencies

The Company is subject to certain legal proceedings and claims arising in the ordinary course of business. In the opinion of management, the amount of any ultimate liability with respect to these actions will not materially affect the Company's consolidated financial position or results of operations.

Note 16 - Recent Accounting Pronouncements

In October 2004, the American Jobs Creation Act of 2004 (the "Act") was signed into law. The Act contains a number of provisions that may affect the Company's future effective income tax rate. The most significant provision would allow the Company to elect to deduct from its taxable income 85% of certain eligible dividends received by the Company from its non-U.S. subsidiaries before the end of 2005. In December, the Financial Accounting Standards Board ("FASB") issued FASB Staff Position No. 109-2, "Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creation Act of 2004" ("FSP 109-2"). FSP 109-2 provides entities additional time, beyond the financial reporting period in which the Act was enacted, to evaluate the effects of the Act on the entity's plan for reinvestment or repatriation of foreign earnings. In accordance with the provisions of FSP 109-2, the Company continues to evaluate this repatriation provision, including ongoing clarifications to how the Act is to be applied. Based on this evaluation, the Company is unable to currently determine if there will be a material impact to its fiscal 2005 results from the Act's foreign earnings repatriation provision.

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

The following discussion and analysis may be understood more fully by reference to the consolidated financial statements, notes to the consolidated financial statements, and management's discussion and analysis contained in the Spectrum Control, Inc. and Subsidiaries annual report on Form 10-K for the fiscal year ended November 30, 2004. All references to "we", "us", "our", or the "Company" in the following discussion and analysis mean Spectrum Control, Inc. and its Subsidiaries.

Company Profile

We were founded as a solutions-oriented company, designing and manufacturing products to suppress or eliminate electromagnetic interference ("EMI"). In recent years, we broadened our focus and product lines to become a control products and systems company, providing a wide range of components and systems used to condition, regulate, transmit, receive, or govern electronic performance. Although our components and systems are used in many industries worldwide, our largest markets are telecommunications equipment and military/aerospace which represented 43.0% and 36.0%, respectively, of our fiscal 2004 sales. In telecommunications, our products are used in numerous systems including wireless base stations, broadband switching equipment, global positioning systems, and optical networks. Military/aerospace applications for our products include missile defense systems, smart weapons and munitions, secure communications, simulation equipment, and avionic upgrades. Automotive represents an emerging market for our products, with significant applications in DC motors, telematics, and electronic safety controls. Other markets for our products include medical instrumentation, industrial equipment, computers, and storage devices.

Our operations are currently conducted in three reportable segments: signal integrity products; power integrity products and management systems; and frequency control products. Our Signal Integrity Products Group designs and manufactures a broad range of low pass EMI filters, surface mount EMI filters, filtered arrays, filtered connectors, gaskets, specialty ceramic capacitors, and our recently developed motor line feed-thru ("MLFT") filters. Our Power Integrity Products and Management Systems Group designs and manufactures numerous power integrity products (power entry modules, multisection filters, power terminal blocks, and custom power filter assemblies) and power management systems (power distribution units, remote power management systems, fuse interface panels, breaker interface panels, and custom power distribution systems). Our Frequency Control Products Group designs and manufactures ceramic resonators and bandpass filters, ceramic patch antennas, duplexers, lumped element filters, cavity filters, waveguides, amplifiers, frequency mixers, oscillators, synthesizers, multiple channel filter banks, and related products and systems.

Acquisition

On February 11, 2005, we acquired substantially all of the assets and assumed certain liabilities of Amplifonix, Inc. ("Amplifonix"). Amplifonix, based in Philadelphia, Pennsylvania, is a designer and manufacturer of radio frequency ("RF") amplifiers, switches, detectors, integrated systems, and voltage controlled oscillators. These products are primarily used in military and aerospace applications including military aircraft, secure communications, missiles, radar and defense systems. The acquisition significantly expands our microwave product offerings and capabilities, particularly in the area of hybrid amplifiers.

The aggregate cash purchase price for Amplifonix was $10.3 million, including legal fees and other costs directly related to the acquisition. The purchase price was entirely funded through our available cash reserves. The results of operations of the acquired business have been included in the accompanying consolidated financial statements since the date of acquisition. Accordingly, Amplifonix net sales of $802,000 have been included in the Company's consolidated net sales for the three month period ended February 28, 2005, and are reported within the Company's Frequency Control Products Group for operating segment purposes.

Forward-Looking Information

The following discussion includes certain "forward-looking statements" within the meaning of the federal securities laws, including statements regarding: (1) our belief as to future market conditions and operating margins, (2) our anticipated capital expenditures, and (3) our expected future operating requirements and financing needs. The words "believe", "expect", "anticipate" and similar expressions identify forward-looking statements. These forward-looking statements are subject to certain risks and uncertainties which could cause actual results to differ materially from historical results or those anticipated. Factors that could cause or contribute to such differences include those discussed in "Risk Factors That May Affect Future Results", as well as those discussed elsewhere herein. Readers are cautioned not to place undue reliance on these forward-looking statements.

Executive Summary

During the first quarter of fiscal 2005, our sales increased $4.0 million or 23.5% from the same period last year. In addition to Amplifonix product sales of $802,000, our increased sales primarily reflect additional shipment volume for our frequency control products. Although these products are used in numerous industries and applications, sales in the military/aerospace sector were particularly strong in the current quarter. Shipments of our signal and power integrity products were down $2.4 million from a year ago, reflecting weak market conditions throughout the passive electronic components industry. With our total consolidated sales below previous expectations, we had poorer absorption of our fixed manufacturing overhead. As a result, our gross margin was 23.3% of sales in the current quarter, compared to 25.7% for the same period last year. With lower gross margin percentages, our overall profitability was relatively unchanged. For the quarter ended February 28, 2005, net income was $607,000 or five cents per share, versus $612,000 or five cents per share for the comparable quarter of 2004.

After expending $10.3 million of cash for the acquisition of Amplifonix, our cash and cash equivalents were $7.0 million at February 28, 2005, our current ratio was 5.66 to 1.00, our total borrowed funds were only $2.0 million, and our total debt to equity was 0.17 to 1.00.

Results of Operations

The following table sets forth certain financial data, as a percentage of net sales, for the three months ended February 28, 2005 and February 29, 2004 (in thousands):

	Three Months Ended	
	February 28, 2005	February 29, 2004

Net sales	100.0 %	100.0 %
Cost of products sold	76.7	74.3
Gross margin	23.3	25.7
Selling, general and administrative expense	18.7	20.1
Income from operations	4.6	5.6
Other income (expense)		
Interest expense	(0.2)	(0.1)
Other income and expense, net	0.3	0.3
Income before provision for income taxes	4.7	5.8
Provision for income taxes	1.8	2.2
Net income	2.9 %	3.6 %

The following table sets forth the Company's net sales by reportable operating segments for the three months ended February 28, 2005 and February 29, 2004 (in thousands):

	Three Months Ended	
	February 28, 2005	February 29, 2004
Signal Integrity Products	$ 9,858	$ 10,635
Power Integrity Products and Management Systems	3,741	4,646
Frequency Control Products	7,543	1,844
	$ 21,142	$ 17,125

First Quarter 2005 Versus First Quarter 2004

Net Sales

Our net sales increased by $4.0 million during the period, with consolidated net sales of $21.1 million in the first quarter of fiscal 2005 and $17.1 million in the comparable quarter of 2004. In addition to Amplifonix product sales of $802,000, our increased sales primarily reflect additional shipment volume for our frequency control products. Excluding Amplifonix product sales, shipments of frequency control products were up $4.9 million from a year ago. Although these products are used in numerous industries and applications, sales in the military/aerospace sector were particularly strong in the current quarter. Sales of our power management systems were $1.4 million during the first quarter of 2005, an increase of $742,000 from the first quarter of 2004. These advanced systems include power distribution units, fuse and breaker interface panels, and remote monitoring systems used in wireless base stations and other telecommunications infrastructure equipment. Shipments of our signal and power integrity products were down $2.4 million from a year ago, reflecting weak market conditions throughout the passive electronic components industry. Overall, average selling prices remained relatively stable throughout all of our product lines.

Customer orders received in the first quarter of fiscal 2005 amounted to $21.8 million, up $4.6 million or 26.5% from the comparable period of 2004. Our sales order backlog at February 28, 2005, was $34.9 million, including $4.1 million related to Amplifonix products. At November 30, 2004, our consolidated sales order backlog was $30.6 million.

Gross Margin

With the overall passive electronic components industry continuing to experience weak market conditions, our total consolidated sales in the first quarter of 2005 fell below previous expectations. As a result, we had poorer absorption of our fixed manufacturing overhead and our gross margin percentages declined. In the first quarter of 2005, gross margin was $4.9 million or 23.3% of sales. For the first quarter of last year, gross margin was $4.4 million or 25.7% of sales. Total manufacturing overhead costs were $8.0 million or 37.7% of sales in the first quarter of 2005, versus $6.0 million or 35.3% of sales for the comparable period of 2004. As a percentage of sales, material and labor costs remained stable throughout the period with aggregate material and labor costs amounting to $8.2 million or 39.0% of sales in 2005 and $6.7 million or 39.0% of sales in 2004.

At February 28, 2005, we had a total workforce of 1,131 employees, including Amplifonix personnel of 86. We expect to continually review our organization and cost structure to improve operating efficiencies, while maintaining flexibility for future capacity expansion.

Selling, General and Administrative Expense

As a percentage of sales, selling expense was relatively stable throughout the period. In the first quarter of 2005, selling expense amounted to $2.5 million or 11.6% of sales, compared to $2.0 million or 11.5% of sales in the same quarter of 2004. General and administrative expense was also relatively constant at $1.5 million in the first quarter of 2005 and 2004.

Other Income and Expense

We hold numerous United States and foreign patents relating to polymer multilayer ("PML") technology. We realized license fee income of $19,000 in the first quarter of fiscal 2004 upon the granting of PML technology licenses. Although these licenses, as well as other previously granted, require certain royalties to be paid to us upon the sale of products utilizing PML technology, it is not known what commercial value, if any, these patents and related licenses may have. No license fees or royalties were received in the first quarter of 2005.

Investment income of $71,000 in 2005 and $33,000 in 2004 was realized from temporary cash investments.

Income Taxes

Our effective income tax rate was 39.2% in 2005 and 38.0% in 2004, compared to an applicable statutory federal and state income tax rate of approximately 40.0%. Differences between the effective tax rate and statutory income tax rate principally arise from state tax provisions and foreign income tax rates.

Risk Factors That May Affect Future Results

In fiscal year 2004, approximately 43.0% of our sales were to customers in the telecommunications industry. Our three largest telecom customers, original equipment manufacturers of telecommunications equipment, represented an aggregate 18.0% of our total consolidated net sales in 2004. Throughout most of the last four years, the telecommunications equipment industry has experienced a severe slowdown and extreme volatility. Recently, market conditions in the industry have demonstrated some improvement, but overall market trends and forecasts remain unpredictable. If the current market conditions deteriorate, it will have a material negative impact on our future operating performance. In addition, our results of operations may be negatively affected in the future by a variety of other factors including: competitive pricing pressures, new technologies which decrease the demand for our products, new product offerings by our competitors, product cost changes, changes in the overall economic climate, cancellation of existing customer order backlog, unanticipated impairment of assets, difficulties in integrating acquired businesses and product lines, changes in the availability of raw materials, and changes in product mix.

Liquidity, Capital Resources and Financial Condition

We maintain a revolving line of credit with our principal lending institution, PNC Bank, N.A. of Erie, Pennsylvania (the "Bank"), with borrowings secured by accounts receivable, and with interest rates on borrowings at or below the Bank's prevailing prime rate. At February 28, 2005, no borrowings were outstanding under the line of credit. The line of credit agreement contains certain covenants, the most restrictive of which require us to maintain designated minimum levels of net worth and profitability and impose certain restrictions on us regarding additional indebtedness. At February 28, 2005, we were in compliance with all debt covenants. On March 9, 2005, the line of credit agreement was amended. Under the amended agreement, which expires on April 30, 2007, the line of credit limit was increased from $6.0 million to $10.0 million. Our ability to borrow in the future under this credit facility is dependent on our ongoing compliance with the restrictive covenants. Whether we continue to comply with these covenants is largely dependent on our ability to attain certain levels of operating performance and profitability in the future, for which there can be no assurance.

Our wholly-owned German subsidiary maintains an unsecured Euro line of credit with a German financial institution aggregating approximately $1.3 million (Euro 1.0 million). At February 28, 2005, no borrowings were outstanding under this line of credit. Future borrowings, if any, will bear interest at rates below the prevailing prime rate and will be payable upon demand.

At February 28, 2005, we had net working capital of $34.9 million, compared to $42.3 million at November 30, 2004. The reduction in working capital principally reflects the use of $10.3 million in cash for the acquisition of Amplifonix on February 11, 2005. At February 28, 2005, current assets were 5.66 times current liabilities, compared to 5.93 at the end of fiscal 2004.

In the first three months of fiscal 2005, our capital expenditures for property, plant and equipment amounted to $313,000. These capital expenditures were primarily for routine replacement of fixed assets, as well as manufacturing equipment and tooling for our recently established China manufacturing operations. At February 28, 2005, we had not entered into any material commitments for capital expenditures.

During the first quarter of 2005, in addition to our acquisition of Amplifonix, we made a contingent payment of $308,000 in connection with our October 2004 acquisition of the Components Business Unit ("CBU") of REMEC, Inc. A final contingent payment for CBU may be made during the second quarter of fiscal 2005. Such contingent payment will be based upon customer orders received for CBU products during the three month period ended March 31, 2005. We currently do not expect this final contingent payment, if any, to be a material amount.

We have adopted a stock repurchase program. Under this program, we may repurchase up to $6.0 million of the Company's outstanding Common Stock. Acquired shares are to be purchased in the open market or through privately negotiated transactions at prevailing market prices. Funding for these repurchases is expected to come from available cash reserves and borrowings under our revolving line of credit facilities. The amount and timing of the shares repurchased are based on our ongoing assessment of the Company's capital structure, liquidity, and the market price of the Company's Common Stock. The repurchased shares are held as treasury stock. During the first three months of fiscal 2005, no shares were purchased. Since the adoption of the stock repurchase program, 676,000 shares have been repurchased at a total cost of $3.6 million.

As of February 28, 2005, our obligations and firm commitments are as follows (in thousands):

	Payments Due by Period						
Contractual obligations	Total	2005	2006	2007	2008	2009	Thereafter
Long-term debt	$ 2,047	$ 331	$ 290	$ 295	$ 100	$ 487	$ 544
Operating leases	1,224	506	458	260	-	-	-

Current financial resources, including working capital and existing lines of credit, and anticipated funds from operations are expected to be sufficient to meet operating cash requirements throughout the next twelve months, including scheduled long-term debt repayment, lease commitments, planned capital equipment expenditures and possible stock repurchases. There can be no assurance, however, that unplanned capital replacement or other future events will not require us to seek additional debt or equity financing and, if so required, that it will be available on terms acceptable to us.

Net cash generated by operating activities amounted to $385,000 during the first three months of fiscal 2005. With improved collection efforts, accounts receivable decreased by $758,000 in the current quarter, excluding the effects of business acquisitions. This benefit was more than offset, however, by increased cash requirements for certain prepaid expenses and required reductions in accrued incentive compensation and other previously accrued operating expenses. In the comparable period last year, net cash generated by operating activities was $725,000. As a result of increased shipments and production requirements during the first quarter of 2004, accounts receivable and inventories increased by $842,000 and $232,000, respectively.

At February 28, 2005, the aggregate carrying value of goodwill was $26.2 million or 28.9% of our total assets and 33.9% of our total stockholders' equity. This amount includes approximately $4.0 million of goodwill recognized in connection with our acquisition of Amplifonix. On an annual basis, and when there is a reason to suspect that the carrying value of goodwill has been diminished or impaired, goodwill must be tested for impairment and a writedown of the asset may be necessary. We have performed the required tests and we have determined that no impairment losses need be recognized in any of the periods presented herein.

Critical Accounting Policies

The methods, estimates and judgments we use in applying our most critical accounting policies have a significant impact on the results we report in our financial statements. The U.S. Securities and Exchange Commission has defined the most critical accounting policies as the ones that are most important to the portrayal of our financial condition and results, and require us to make our most difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. Based on this definition, we believe our most critical accounting policies relate to the valuation and carrying amounts of accounts receivable, inventories, long-lived assets, and deferred tax assets.

We evaluate the collectibility of our accounts receivable based on a combination of factors including an assessment of the customer's financial condition and the length of time a receivable is past due. At February 28, 2005, our allowance for doubtful accounts was $1.1 million, or 6.2% of our aggregate accounts receivable. In determining the adequacy of this allowance, we have assumed that market conditions in the telecommunications equipment industry will continue to improve throughout fiscal 2005. If this improvement does not occur, or if market conditions deteriorate, our customers may not be able to meet their financial obligations to us. Accordingly, our estimate of the recoverability of amounts due us could be reduced by a material amount.

At February 28, 2005, we had recorded inventory reserves in the aggregate amount of $1.9 million for excess and slow-moving items. In determining the adequacy of these reserves, we considered numerous factors including current customer forecasts and estimated usage. Should these forecasts and estimates change due to market, technological or other factors, the net realizable value of our inventories may be materially less than our current carrying values.

We review goodwill for possible impairment at least annually. Impairment losses are recognized when the implied fair value of goodwill is less than its carrying value. The implied fair value of goodwill is contingent upon many factors, including estimates of future discounted operating cash flows. Long-lived assets other than goodwill are reviewed for impairment whenever indicators of possible impairment exist. Impairments are recognized when the expected future operating cash flows derived from such assets are less than their carrying values. No impairment losses have been recognized in any of the periods presented herein. However, our future cash flow expectations assume that market conditions throughout the telecommunications equipment industry will continue to improve. If long-term market conditions do not improve, our long-lived assets may become materially impaired.

We record valuation allowances to reduce deferred tax assets when it is more likely than not that some portion of the asset may not be realized. Presently, we believe that all deferred tax assets will more likely than not be realized and a valuation allowance is not required. We evaluate the need for valuation allowances on a regular basis and make adjustments as needed. These adjustments, when made, may have a materially negative impact on our financial statements.

Recent Accounting Pronouncements

In December 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 123 (revised), "Share-Based Payment" ("SFAS No. 123R"), which requires all companies to measure compensation cost for all share-based payments (including employee stock options) at fair value. For most public entities, the provisions of SFAS No. 123R will be effective for interim or annual periods beginning after June 15, 2005. SFAS No. 123R applies to all awards granted after the required effective date and to awards modified, repurchased, or cancelled after that date.

Effective for our fourth quarter of fiscal 2005, we will adopt the provisions of SFAS No. 123R using a modified version of prospective application. Under this transition method, compensation cost will be recognized on or after the effective date for the portion of outstanding awards for which the requisite service has not yet been rendered, based on the grant date fair value of those awards previously calculated under Statement of Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure" ("SFAS No. 148") for pro forma disclosures. For periods before the required effective date, we expect to apply a modified version of retrospective application under which financial statements for prior periods are adjusted on a basis consistent with the pro forma disclosures required for those periods by SFAS No. 148. We currently expect the adoption of SFAS No. 123R will have an effect on our results of operations similar to the amounts reported historically in the Company's notes to consolidated financial statements under the pro forma disclosure provisions of SFAS No. 148.

In October 2004, the American Jobs Creation Act of 2004 (the "Act") was signed into law. The Act contains a number of provisions that may affect our future effective income tax rate. The most significant provision would allow the Company to elect to deduct from its taxable income 85% of certain eligible dividends received by the Company from its non-U.S. subsidiaries before the end of 2005. In December, the FASB issued Staff Position No. 109-2, "Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creation Act of 2004" ("FSP 109-2"). FSP 109-2 provides entities additional time, beyond the financial reporting period in which the Act was enacted, to evaluate the effects of the Act on the entity's plan for reinvestment or repatriation of foreign earnings. In accordance with the provisions of FSP 109-2, we continue to evaluate this repatriation provision, including ongoing clarifications to how the Act is to be applied. Based on this evaluation, we are unable to currently determine if there will be a material impact to our fiscal 2005 results from the Act's foreign earnings repatriation provision.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk

Foreign Currency

Certain of our European sales and related selling expenses are denominated in Euros, British Pounds Sterling, and other local currencies. In addition, certain of our operating expenses are denominated in Mexican Pesos. As a result, fluctuations in currency exchange rates may affect our operating results and cash flows. To manage our exposure to the Euro and British Pound Sterling, we occasionally enter into forward currency exchange contracts. At February 28, 2005, no forward currency exchange contracts were outstanding. For each of the periods presented herein, currency exchange rate gains and losses were not material.

Interest Rate Exposure

We have market risk exposure relating to possible fluctuations in interest rates. From time to time, we utilize interest rate swap agreements to minimize the risks and costs associated with variable rate debt. We do not enter into derivative financial instruments for trading or speculative purposes. The interest rate swap agreements are entered into with major financial institutions thereby minimizing the risk of credit loss. At February 28, 2005, no interest rate swap agreements were outstanding.

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Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

The Company's Chief Executive Officer and Chief Financial Officer have reviewed and evaluated the effectiveness of the Company's disclosure controls and procedures as defined in the Securities Exchange Act of 1934 Rules 13a-14 (c) and 15d-14 (c). Based on their review and evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures are adequate and effective to ensure that material information relating to the Company and its consolidated subsidiaries are made known to them by others within those entities in a timely manner, particularly during the period in which this quarterly report on Form 10-Q was being prepared, and that no changes are required at this time.

(b) Change in Internal Controls

There were no changes in the Company's internal controls or in other factors that could significantly affect the Company's internal controls during the quarter ended February 28, 2005, or any significant deficiencies or material weaknesses in such internal controls requiring corrective actions. As a result, no corrective actions were taken.

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Part II. Other Information

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Certification of Chief Executive Officer pursuant to Rule 13a - 14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended (31.1)

Certification of Chief Financial Officer pursuant to Rule 13a - 14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended (31.2)

Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (32.1)

(b) Reports on Form 8-K

On January 10, 2005, the Company filed a press release announcing its financial results for the fourth quarter and fiscal year ended November 30, 2004.

On January 14, 2005, the Company filed a transcript of its fourth quarter and year end earnings conference call held on January 10, 2005.

On February 11, 2005, the Company filed a press release and related documents announcing that it had acquired substantially all of the assets and assumed certain liabilities of Amplifonix, Inc.

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Signature

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

SPECTRUM CONTROL, INC.
(Registrant)

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Exhibit 31.1

CERTIFICATION

I, Richard A. Southworth, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Spectrum Control, Inc. (the "registrant");
2.

Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    c. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected or is reasonably likely to materially affect the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: March 30, 2005

/s/Richard A. Southworth

RICHARD A. SOUTHWORTH
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, John P. Freeman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Spectrum Control, Inc. (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
b. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
c. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected or is reasonably likely to materially affect the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: March 30, 2005

/s/John P. Freeman

John P. Freeman
Senior Vice President and Chief Financial Officer

Exhibit 32.1

Certification

The following statement is being furnished to the Securities and Exchange Commission solely for purposes of Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350), which carries with it certain criminal penalties in the event of a knowing or willful misrepresentation.

Securities and Exchange Commission
450 Fifth Street, NW
Washington, DC 20549

In accordance with the requirements of Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350), each of the undersigned hereby certifies that:

(i) this Current Report on Form 10-Q of Spectrum Control, Inc. for the period ended February 28, 2005, (the "Report") fully complies with the requirements of section 13 (a) or 15 (d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o (d)); and

(ii) the information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of Spectrum Control, Inc.

Dated as of this 30th day of March 2005.

/s/ RICHARD A. SOUTHWORTH	/s/ JOHN P. FREEMAN
President and Chief Executive Officer	Senior Vice President and Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Spectrum Control, Inc. and will be retained by Spectrum Control, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

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