PHOTRONICS INC
Form DEF 14A
February 13, 2017
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 o

Check the appropriate box:

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

PHOTRONICS, INC.
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

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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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1) Amount previously paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

PHOTRONICS, INC.
15 Secor Road
Brookfield, Connecticut 06804
(203) 775-9000

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON MARCH 7, 2017

TO THE SHAREHOLDERS OF PHOTRONICS, INC.:

Notice is hereby given that the Annual Meeting of Shareholders of Photronics, Inc. will be held at the offices of NASDAQ OMX, 4 Times Square, 43rd and Broadway, Second Floor, New York, New York 10036 at 10:15a.m. Eastern Time, on March 7, 2017, for the following purposes:

1) To elect seven members of the Board of Directors;
2) To ratify the selection of Deloitte & Touche LLP as independent registered public accounting firm for the fiscal year ending October 29, 2017;
3) To approve, by non-binding advisory vote, the compensation of our named executive officers;
4) To consider and vote upon a non-binding advisory proposal as to the frequency (every one, two or three years) with which the non-binding shareholder vote to approve the compensation of our named executive officers should be conducted.

The shareholders will also act on any other business as may properly come before the meeting or any adjournments or postponements thereof.

The Board of Directors has fixed January 16, 2017, as the record date for determining the holders of common stock entitled to notice of and to vote at the meeting. A list of those shareholders entitled to vote at the Annual Meeting will be available for inspection by any of our shareholders for any purpose germane to the Annual Meeting, during regular business hours at Photronics principal executive offices 20 days prior to the Annual Meeting.

YOUR VOTE IS IMPORTANT. ALL SHAREHOLDERS ARE CORDIALLY INVITED TO ATTEND THE MEETING. TO ENSURE YOUR REPRESENTATION AT THE MEETING, WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, YOU ARE REQUESTED TO COMPLETE, DATE, SIGN AND RETURN THE ENCLOSED PROXY IN THE ENCLOSED ENVELOPE OR AUTHORIZE THE VOTING OF YOUR SHARES BY INTERNET OR TELEPHONE PRIOR TO THE DEADLINE SPECIFIED ON YOUR PROXY CARD. NO POSTAGE IS REQUIRED FOR MAILING IN THE UNITED STATES.

We thank you for your continued support.

Shareholders planning on attending the meeting in person should bring photo identification.

By Order of the Board of Directors,

/s/ Richelle E. Burr
Richelle E. Burr
Vice President, General Counsel and Secretary

PHOTRONICS, INC.
15 Secor Road
Brookfield, Connecticut 06804
(203) 775-9000

PROXY STATEMENT
For the Annual Meeting of Shareholders
to be held on March 7, 2017

GENERAL INFORMATION

The enclosed proxy is solicited by the Board of Directors (the Board or Board of Directors) of Photronics, Inc. (Photronics or the Company), to be voted at the Annual Meeting of Shareholders (the Annual Meeting) to be held on March 7, 2017, at 10:15 a.m. Eastern Time at the offices of NASDAQ OMX, 4 Times Square, Second Floor, New York, New York 10036 or any adjournments or postponements thereof (the Annual Meeting). This proxy statement and the enclosed proxy card are being filed with the Securities and Exchange Commission on February 13, 2017 and on the same day the Company will begin sending the proxy statement and proxy card to all shareholders entitled to vote at the Annual Meeting. Our Annual Report on Form 10-K for the fiscal year ended October 30, 2016, as filed with the Securities and Exchange Commission (SEC) is included in the Annual Report to Shareholders being made available to our shareholders with this proxy statement.

The persons named as proxies on the accompanying proxy card have informed the Company of their intention, if no contrary instructions are given, to vote the shares of the Company s common stock (Common Stock) represented by such proxies FOR Proposals 1, 2, and 3 and for one year on Proposal 4, and at their discretion on any other matters which may come before the Annual Meeting. The Board of Directors does not know of any business to be brought before the Annual Meeting other than as set forth in the Notice of Annual Meeting of Shareholders.

Any shareholder who executes and delivers a proxy may revoke it at any time prior to its use. Such revocation would be effective upon: (a) receipt by the Secretary of the Company of written notice of such revocation; (b) receipt by the Secretary of the Company of a properly executed proxy bearing a later date; or (c) appearance by the shareholder at the Annual Meeting and his or her request to revoke the proxy. Any such notice or proxy should be sent to Photronics, Inc., 15 Secor Road, Brookfield, Connecticut 06804, Attention: Secretary. Appearance at the Annual Meeting without a request to revoke a proxy will not revoke a previously executed and delivered proxy.

QUORUM; REQUIRED VOTES

Only shareholders of record at the close of business on January 16, 2017, are entitled to notice of and to vote at the Annual Meeting. As of January 16, 2017, there were 68,367,273 shares of Common Stock issued and outstanding, each of which is entitled to one vote. At the Annual Meeting, the presence in person or by proxy of the holders of a majority of the total number of shares of outstanding Common Stock will be necessary to constitute a quorum. Assuming a quorum is present, the matters to come before the Annual Meeting that are listed in the Notice of Annual Meeting of Shareholders require the following votes to be approved: (1) Proposal 1 (Election of Directors) a plurality of the votes cast by the shareholders entitled to vote at the Annual Meeting is required to elect seven members of the Board of Directors; (2) Proposal 2 (Ratification of Selection of Independent Registered Public Accounting Firm for the Fiscal Year Ending October 29, 2017) a majority of the votes cast by the shareholders entitled to vote at the Annual Meeting is required to ratify the selection of Deloitte & Touche LLP; and (3) Proposal 3 (Executive Compensation) a majority of the votes cast by the shareholders entitled to vote at the Annual Meeting is required to approve the non-binding advisory resolution approving the compensation of the named executive officers, as described in the Compensation Discussion and Analysis and the narrative disclosure included in this proxy statement and; the non-binding advisory vote as to Proposal 4 (Frequency Non-Binding Vote of Executive Compensation) will require shareholders to choose between the frequency of every one, two or three years or to abstain from voting on that proposal. Note that shareholders are not voting to approve or disapprove the recommendation of the Board of Directors with respect to this proposal.

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Neither the approval nor the disapproval of Proposal 3 or 4 will be binding on the Company or the Board of Directors or will be construed as overruling a decision by the Company or the Board of Directors. Neither the approval nor the disapproval of Proposal 3 or 4 will create or imply any change to our fiduciary duties or create or imply any additional fiduciary duties for the Company or the Board of Directors. However, the Company will consider the results of this advisory vote in making future decisions on the Company s compensation policies, and the compensation of the Company s named executive officers.

Shareholders who hold their shares through a broker (in street name), must provide specific instructions to their brokers as to how to vote their shares, in the manner prescribed by their broker. Pursuant to the rules that govern brokers and nominees who have record ownership of shares that are held in street name for account holders (who are the beneficial owners of the shares), brokers and nominees typically have the discretion to vote such shares on routine matters, but not on non-routine matters. If a broker or nominee has not received voting instructions from an account holder and does not have discretionary authority to vote shares on a particular item because it is a non-routine matter, a broker-non-vote occurs. Under the rules governing brokers, an uncontested director election is considered a non-routine matter for which brokers do not have discretionary authority to vote shares held by an account holder. Additionally, as required by Section 957 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the Dodd-Frank Act), advisory votes on executive compensation and on the frequency of such votes are also considered non-routine matters for which brokers do not have discretionary authority to vote shares held by account holders. Of the four proposals listed in the Notice of Annual Meeting of Shareholders only the ratification of our independent registered public accounting firm under Proposal 2 is considered a routine matter. Abstentions will be considered as present but will not be considered as votes in favor of any matter; broker non-votes will be considered as present but will not be considered as votes for the matters as to which the shares are not voted.

CORPORATE GOVERNANCE AND ETHICS

Photronics is committed to the values of effective corporate governance and high ethical standards. Our Board believes that these values are conducive to long-term performance and periodically reevaluates our policies to ensure they meet the Company s needs. Set forth below are a few of the corporate governance practices and policies that we have adopted.

- **Related Party Transaction Policy.** Our Audit Committee is responsible for approving or ratifying transactions involving the Company and related parties and determining if such transactions are, or are not, consistent with the best interests of the Company and our shareholders.
- **Executive Sessions.** The Company’s Board of Directors’ meetings regularly include executive sessions without the presence of management, including the Executive Chairman and Chief Executive Officer.
- **Shareholders Rights Plan Policy.** The Company does not have a shareholders rights plan and is not currently considering adopting one. The Board of Directors’ position is that it will only adopt a shareholders’ rights plan if the Board of Directors determines that it is in the best interests of the Company, taking into consideration all factors that it deems advisable and appropriate.

BOARD OF DIRECTORS POLICIES AND COMMITTEE CHARTERS

The Board of Directors has responsibility for establishing broad corporate policies and reviewing overall performance rather than day to day operations of the Company. The Board s primary responsibility is to oversee management and, in doing so, to serve the Company s and its stockholders best interests. Company management keeps the Board of Directors informed of Company activities through written reports and presentations at Board and Board Committee meetings.

The Company has adopted a code of ethics and corporate governance policy to assist the Board and its committees in the exercise of their responsibilities. The code of ethics and corporate governance policy apply generally to the Board and the Company s named executive officers. Each of the Board committees has a written charter that sets forth the goals and responsibilities of the committee. The Company s code of ethics and Board committee charters can be found on the Company s website at www.photronics.com.

The Board of Directors has assessed each of its seven nominees for Director against the NASDAQ Global Select Market (NASDAQ) standards for independence and determined that Messrs. Fiederowicz, Fiorita, Hsia, and Tyson meet the general definition of an independent director as defined by NASDAQ.

The number of directors on the Company s Board is not permitted to be less than three or more than fifteen members under the Company s bylaws. Currently, the Board has fixed the number of directors at seven members. The Board is responsible for nominating members to the Board and for filling vacancies on the Board that may occur between annual meetings of shareholders, in each case upon the recommendation of the Nominating Committee. The Nominating Committee seeks input from other Board members and senior management and may engage a search firm to identify and evaluate potential candidates. The Board and each of the committees of the Board conduct annual self-assessments to determine their effectiveness. Additionally, each committee reviews the adequacy of its charter annually and considers any proposed changes.

BOARD LEADERSHIP STRUCTURE

In May of 2015, Peter Kirlin was appointed as Chief Executive Officer and as a member of the Board of Directors of the Company. Former Chairman and Chief Executive Officer of the Company, Constantine Macricostas became Executive Chairman at the time of Dr. Kirlin s appointment as Chief Executive Officer. The Executive Chairman reports directly to the Company s Board of Directors, assists the Chief Executive Officer in setting the agenda for meetings of the Board of Directors and performs such other duties as the Board may assign. The Executive Chairman also works on special projects at the request of the Chief Executive Officer and is also involved in all decisions relating to capital expenditures and strategic planning.

The Board also has a Lead Independent Director. Mr. Walter Fiederowicz serves as Lead Independent Director. Mr. Fiederowicz s duties include the following: chair any meeting of the independent directors in executive session; facilitate communications between other members of the Board and the Executive Chairman of the Board and Chief Executive Officer (however, each director is free to communicate directly with the Executive Chairman of the Board and the Chief Executive officer); and monitor, with the assistance of the General Counsel, communications from shareholders.

The Board will continue to reexamine our corporate governance policies and leadership structure on an ongoing basis to ensure that they continue to meet the Company s needs.

THE BOARD OF DIRECTORS ROLE IN RISK OVERSIGHT AND ASSESSMENT

The Company has a risk management program overseen by senior management and approved by the Board of Directors. The Board s risk oversight processes build upon management s regular risk assessment and mitigation processes, which include standardized reviews conducted with members of management across and throughout the Company in areas such as financial and management controls, strategic and operational planning, regulatory compliance, and environmental compliance. The results of these reviews are then discussed and analyzed at the most senior level of management, which assesses both the level of risk posed in these areas and the likelihood of their occurrence, coupled with planning for the mitigation of such risks and occurrences.

Risks are identified and prioritized by senior management and each prioritized risk is assigned to either a Board committee or the full Board for oversight. For example, strategic risks are overseen by the full Board; financial and business conduct risks are overseen by the Audit Committee or the full Board; risks associated with related party transactions are overseen by the Audit Committee and compensation risks are overseen by the Compensation Committee. Management regularly reports these and other various risks to the relevant committee or the Board. Additional review or reporting of risks is conducted as needed or as requested by the Board or relevant committee.

COMPENSATION RELATED RISK

The Company regularly assesses the risks related to our compensation programs, including our executive compensation programs, and does not believe that the risks arising from our compensation policies and practices are reasonably likely to have a material effect on the Company. Incentive award targets and opportunities are reviewed annually thereby allowing the Compensation Committee to maintain an appropriate balance between rewarding extraordinary performance, without encouraging excessive risk taking.

OWNERSHIP OF COMMON STOCK BY DIRECTORS, OFFICERS AND CERTAIN BENEFICIAL OWNERS

The following table sets forth certain information on the beneficial ownership of the Company s Common Stock as of January 16, 2017, by: (i) beneficial owners of more than five percent of the Common Stock; (ii) each director; (iii) each Named Executive Officer in the Summary Compensation Table set forth below; and (iv) all directors and currently employed executive officers of the Company as a group.

Name and Address of Beneficial Owner(1)	Amount and Nature of Beneficial Ownership(2)		Percentage of Class	
Waddell & Reed Financial, Inc. 6300 Lamar Avenue Overland Park, KS 66202	8,643,926		12.9%	(3)
Dimensional Fund Advisors Palisades West, Building One 6300 Bee Cove Road Austin, Texas 78746	5,668,379		8.5%	(4)
Barrow, Hanley, Mewhinney & Strauss, LLC 2200 Ross Avenue, 31st Floor Dallas, TX 75201-2761	5,496,867		8%	(5)
Black Rock, Inc. 40 East 52nd Street New York, NY 10022	4,251,144		6.2%	(6)
Donald Smith & Co., Inc. 152 West 57th Street New York, NY 10019	4,078,589		6%	(7)
Franklin Resources, Inc. One Franklin Parkway San Mateo, CA 94403-1906	3,698,000		5.5%	(8)
<u>Officers and Directors</u>				
Richelle Burr	123,427	(9)		*
Walter M. Fiederowicz	80,000	(9)		*
Joseph A. Fiorita, Jr.	201,400	(9)(10)		*
Liang-Choo Hsia	66,000	(9)		*
Peter Kirlin	315,448	(9)		*
Constantine S. Macricostas	1,068,768	(9)(11)	1.54	%
George Macricostas	48,000	(9)		*
Christopher J. Progler	245,285	(9)		*
Sean T. Smith	284,295	(9)		*
Mitchell G. Tyson	108,379	(9)		*
Directors and Named Executive Officers as a group (10 persons)	2,541,002	(12)	3.71%	(9)

* Less than 1%

(1) The address for all officers and directors is 15 Secor Road, Brookfield, Connecticut 06804.

(2)

Except as otherwise indicated, the named person has the sole voting and investment power with respect to the shares of Common Stock set forth opposite such person's name.

(3) Based on Schedule 13G/A filed February 12, 2016.

(4) Based on Schedule 13G filed February 9, 2017.

(5) Based on Schedule 13G filed February 9, 2017.

(6) Based on Schedule 13G/A filed on January 25, 2017.

(7) Based on Schedule 13G/A filed on February 9, 2017.

(8) Based on Schedule 13G filed February 9, 2016.

(9) Includes shares of Common Stock subject to stock options exercisable as of January 16, 2017, (or within 60 days thereof), as follows: Ms. Burr: 73,250; Mr. Fiederowicz: 47,000; Mr. Fiorita: 40,000; Dr. Hsia: 12,000; Dr. Kirlin: 171,750; Mr. Constantine Macricostas: 595,000: Mr. George Macricostas: 2,000; Dr. Progler: 170,385; Mr. Smith:143,937; and Mr. Tyson: 37,400.

(10) Includes 300 shares owned by the wife of Mr. Fiorita as to which shares he disclaims beneficial ownership.

(11) Includes the shares listed in notes (9) and (10) above.

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PROPOSAL 1
ELECTION OF DIRECTORS

The Board has nominated 7 directors to be elected at the 2017 Annual Meeting to serve for a one year term. Each of the seven directors of the Company that is elected at the Annual Meeting will serve until the 2018 Annual Meeting of Shareholders (unless such director resigns or otherwise leaves the Board) until their successors are elected and qualified. Each nominee is currently a director of the Company and has agreed to serve if elected. The names of and certain information with respect to the nominees for election as directors are set forth below.

The Company is open and receptive to shareholder communication. If, for any reason, any of the nominees shall become unable to stand for election, the individuals named in the enclosed proxy may exercise their discretion to vote for any substitutes chosen by the Board of Directors, unless the Board of Directors should decide to reduce the number of directors to be elected at the Annual Meeting. The Company has no reason to believe that any nominee will be unable to serve as a director.

The Board of Directors recommends that you vote FOR the election of each of the following nominees:

Nominees:

Name and (Age)	**Director Since**	**Position with the Company**
Walter M. Fiederowicz (70 years)	1984	Director
Joseph A. Fiorita, Jr. (72 years)	1987	Director
Dr. L. C. Hsia (68 years)	2012	Director
Dr. Peter S. Kirlin (56 years)	2015	Director
Constantine S. Macricostas (81 years)	1974	Executive Chairman
George Macricostas (47 years)	2002	Director
Mitchell G. Tyson (62 years)	2004	Director

Messrs. Fiederowicz, Fiorita, Hsia, and Tyson qualify as being independent under applicable NASDAQ rules.

In addition to the information set forth in the table above, the following provides certain information about each nominee for election as director, including his principal occupation for at least the past five years. Also set forth below is a brief discussion of the specific experience, qualifications, attributes or skills that led to the conclusion that each nominee and director should serve as a director as of the date of this proxy statement, in light of the Company s business and structure.

Walter M. Fiederowicz has been a private investor and consultant since August 1997. Mr. Fiederowicz is Chairman of the Compensation Committee and Vice Chairman of the Audit Committee. Mr. Fiederowicz brings to the Board of Directors substantial experience in analyzing and forecasting economic conditions both domestically and internationally. Through his service on the boards of other companies, he has gained extensive experience in leadership, risk management and corporate governance matters. Mr. Fiederowicz brings leadership, and extensive business and financial experience to the Board.

Joseph A. Fiorita, Jr., CPA, has been a partner since 1973 at Fiorita, Kornhaas & Company, P.C., an independent certified public accounting firm with offices located in Danbury and Southbury, Connecticut. He is a member of the Connecticut Society of Certified Public Accountants (CSCPA) and American Institute of Certified Public Accountants (AICPA). He serves as an advisory board member of various closely-held companies and charitable organizations. He is also a Corporator for Newtown Savings Bank. Mr. Fiorita is Chairman of the Audit Committee and Vice Chairman of the Compensation Committee. Mr. Fiorita qualifies as an audit committee financial expert as defined under Item 407 of Regulations S-K audit committee rules. Mr. Fiorita brings to the Board of Directors broad experience in corporate finance and is highly qualified in the fields of accounting and internal controls, both of which contribute to his effective service on the Board of Directors. Through his service on the board of directors of other companies, he has gained additional experience in risk management and corporate governance.

Liang-Choo Hsia, was formerly Senior Vice President and Senior Technical Advisor at Global Foundries. He joined Global Foundries as a result of the acquisition of Chartered Semiconductor Manufacturing where, for over ten years, he played a pivotal role in defining roadmaps for advanced node migration and oversaw the company s participation in the Joint Development Alliance with IBM for advanced manufacturing at the 22/20nm nodes. He joined Chartered after serving for three years as Director of Technology Development of United Microelectronics Corporation in Taiwan. Prior to that, he spent over a decade with IBM as an advisory scientist in various divisions. Dr. Hsia has authored or co-authored over 100 papers and over 50 patents. He resides in Taiwan and has offices in Taiwan and Singapore. Dr. Hsia is a member of the investment committee, Semi Taiwan, he also serves as a Director on the Board of Everam, Inc. Taiwan, a mobile DRAM design house and on the Board of Sequia Microelectronics Corp., Taiwan, a design house for LED power supply chips. Dr. Hsia is Chairman of the Strategic Planning and Technology Development Committee and is a member of the Nominating Committee. Dr. Hsia brings an in depth knowledge and wealth of experience in the industry to the Board.

Peter S. Kirlin joined Photronics in August, 2008 as Senior Vice President, US and Europe. Dr. Kirlin became Chief Executive Officer in May of 2015 after having been named President in 2013. Prior to joining Photronics, Dr. Kirlin, a 25-year veteran of the photomask and semiconductor industries, held several senior leadership positions of increasing responsibility. Dr. Kirlin was Vice President of Business Development at Entegris, a developer, manufacturer and supplier of liquid and gas delivery systems, components and consumables used in the semiconductor manufacturing process; Chairman and Chief Executive Officer of DuPont Photomasks; and Group Vice President of ATMI, a supplier of ultra-high purity materials and services used in the manufacture of semiconductors. Dr. Kirlin also was Executive Chairman of the privately-held firm Akrion, Inc., a provider of surface preparation solutions to the semiconductor and electronics industries. Dr. Kirlin was Executive Chairman of Akrion, Inc. from January 2007 to July 2008. Dr. Kirlin brings leadership, strategic direction, extensive business experience and a wealth of knowledge of the photomask and semiconductor industry to the Board.

Constantine S. Macricostas is Executive Chairman of the Board and founder of the Company. Mr. Macricostas previously served as Chief Executive Officer of the Company on three different occasions from 1974 until August 1997, from February 2004 to June 2005 and from April 2009 until May 2015. Mr. Macricostas is a director of RagingWire Data Centers, Inc., (RagingWire). Mr. Macricostas is the father of George Macricostas. Mr. Macricostas knowledge of the Company and its operations as well as the industry is invaluable to the Board of Directors in evaluating and directing the Company s future. Through his long service to the Company and experience in the industry, he has developed extensive knowledge in the areas of leadership, safety, risk oversight, management and corporate governance, each of which provides great value to the Board of Directors.

George Macricostas is Chairman of the Board, Chief Executive Officer, and a founder of RagingWire Data Centers, Inc., an NTT Communications Company, a company that provides secure data center infrastructure and managed information technology services to data intensive enterprises. Mr. Macricostas is a member of the Strategic Planning and Technology Development Committee of the Company. Mr. Macricostas is a member of the Board of Directors of the Jane Goodall Institute, and was a finalist in the 2007 Ernst and Young Entrepreneur of the Year program. From November 2005 to January 2007, Mr. Macricostas was Executive Vice Chairman of RagingWire. From May 2000 through November 2010, Mr. Macricostas was Chief Executive Officer of RagingWire. Prior to the founding of RagingWire, from February 1996 until April 2000, Mr. Macricostas was a senior vice president of the Company, where he was responsible for all aspects of the Company s global information technology infrastructure. Mr. Macricostas is the son of Constantine S. Macricostas. Mr. Macricostas brings over 24 years of technical and business management experience in operations and information technology

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to the Board of Directors. Through his service on the Board, he has gained additional experience in risk management and corporate governance. Mr. Macricostas brings industry, risk management, leadership, strategic, financial market experience and extensive business experience which enables him to bring broad based experience and expertise to the Board.

Mitchell G. Tyson is an independent business strategy and innovation consultant and serves on multiple industry, government and corporate boards of directors. He is also an Adjunct Professor at the Brandeis International Business School, a partner in the Clean Energy Venture Group, a partner in Great Dome Associates, chair of the Northeast Clean Energy Council and a member of boards of the Massachusetts Technology Collaborative, Greentown Labs and Venture Café Foundation. He is also a member of the Board of the Bigbelly, Inc. a supplier of enterprise waste management and urban connectivity solutions. Until October 2010 he was the Chief Executive Officer and a Director of Advanced Electron Beams. Prior to joining Advanced Electron Beams in 2005, Mr. Tyson was a corporate consultant and lecturer. Previously, Mr. Tyson served as the Chief Executive Officer of PRI Automation, a publicly traded corporation that supplied automation systems including hardware, software and services to the semiconductor industry. From 1987 to 2002, he held positions of increasing management responsibility and helped transform PRI Automation from a small robotics manufacturer to the world s leading supplier of semiconductor fab automation systems. Prior to joining PRI Automation, Mr. Tyson worked at GCA Corporation from 1985 to 1987 as Director of Product Management and served as science advisor and legislative assistant to the late U.S. Senator Paul Tsongas from 1979 to 1985. Mr. Tyson is Chairman of the Nominating Committee and a member of the Audit Committee of the Company. Mr. Tyson brings leadership and extensive business experience as well as financial expertise to the Board.

MEETINGS AND COMMITTEES OF THE BOARD

The Board of Directors met four times during the 2016 fiscal year. During fiscal 2016, each director attended all of the regular meetings of the Board of Directors and 100% of committee meetings of the Board on which such director served.

The Company s Board of Directors has Audit, Compensation, Nominating and Strategic and Technology Development Committees. Members of the Audit, Compensation and Nominating Committees are comprised of independent, non-employee directors.

The Audit Committee s functions include the appointment of the Company s independent registered public accountants, reviewing with such accountants the plan for and results of their auditing engagement and the independence of such accountants. Messrs. Fiederowicz, Fiorita and Tyson are the members of the Audit Committee. All members of this Committee are independent, non-employee directors under applicable NASDAQ rules and Rule 10A-3 under the Exchange Act. Mr. Fiorita qualifies as an audit committee financial expert as defined under Item 407 of Regulation S-K. The Audit Committee held 8 meetings during the 2016 fiscal year.

The Compensation Committee s functions include establishing the compensation levels for our executive officers and overseeing compensation policies and programs for the executive officers of the Company and administration of the Company s equity and stock plans. This includes setting corporate goals and objectives relevant to compensation of our executive officers and evaluating performance against these goals and objectives. The Committee also reviews and makes recommendations to the Board with respect to director compensation. Members of management, including the Executive Chairman, the Chief Executive Officer, the Chief Financial Officer, the Vice President of Human Resources and the Vice President and General Counsel participate in Compensation Committee meetings when requested by the Committee to present and discuss the materials provided, including recommendations considered to be relative to executive pay and competitive market practices. These members of management assist the Committee in understanding the Company s business plan and long term strategic direction, developing the performance targets for our performance-based compensation and understanding the technical or regulatory considerations as well as the motivational factors of the decisions that are intended to drive executive and company performance. Although the

Committee solicits input and perspective from management regarding executive compensation, the ultimate decision on executive compensation is made solely by the Compensation Committee, and the decision regarding the Chief Executive Officer s compensation is made by the Compensation Committee without the presence of the Chief Executive Officer. Messrs. Fiederowicz and Fiorita are the members of the Compensation Committee. All members of this Committee are independent, non-employee directors under applicable NASDAQ rules. The Compensation Committee held 6 meetings during the 2016 fiscal year.

The purpose of the Strategic Planning and Technology Development Committee is to assist the Board of Directors with planning and directing the Company towards its vision and strategic goals. Dr. Hsia and Mr. George Macricostas are the members of the Strategic Planning and Technology Development Committee. The Strategic Planning and Development Committee held 3 meetings during the 2016 fiscal year.

The Nominating Committee s functions include the consideration and nomination of candidates for election to the Board. Mr. Tyson and Dr. Hsia are the members of the Nominating Committee. All members of this Committee are independent, non-employee directors under applicable NASDAQ rules. This Committee held 1 meeting during the 2016 fiscal year.

The minimum qualifications for nominees to be considered by the Nominating Committee are experience as a business or technology leader, the highest ethical standards, the ability to deliver value and leadership to the Company and the ability to understand, in a comprehensive manner, the technology utilized by the Company and its customers for the production of semiconductors and flat panel displays. If an opening for a Director arises, the Board will conduct a search for qualified candidates. The Nominating Committee utilizes its network of contacts to compile a list of potential candidates, but may also engage, if it deems appropriate, a professional search firm. The Nominating Committee will also consider qualified candidates for Director suggested by shareholders in written submissions sent to Photronics, Inc., 15 Secor Road, Brookfield, Connecticut 06804, Attention: Secretary. The Nominating Committee also considers the diversity of backgrounds and expertise represented in the Board s composition and whether a nominee is qualified to serve may depend in part on the backgrounds of the other directors, so that the Board of Directors as a whole has an appropriate mix of backgrounds and breadth of experience. The Nominating Committee reviews its effectiveness in balancing these considerations through its ongoing consideration of directors and nominees, as well as the Nominating Committee s annual self-evaluation process. The Nominating Committee evaluates candidates in the same manner, whether the candidate was recommended by a shareholder or not.

The Nominating Committee did not receive any Director nominations from a shareholder for the Annual Meeting.

The Board provides a process for shareholders to send communications to the Board or to any Director individually. Shareholders may send written communications to the Board or to any Director c/o Photronics, Inc., 15 Secor Road, Brookfield, Connecticut 06804, Attention: Secretary. All communications will be compiled by the Secretary and submitted to the Board or the individual Directors on a periodic basis.

It is the Company s policy that the Directors who stand for election at the Annual Meeting attend the Annual Meeting unless the Director has an irreconcilable conflict and attendance has been excused by the Board. All of the nominees who were Directors during the last fiscal year and who are standing for election at the Annual Meeting attended the 2016 Annual Meeting of Shareholders.

AUDIT COMMITTEE REPORT

The Audit Committee is composed of three directors, each of whom meets the independence requirements of the applicable NASDAQ rules and Rule 10A-3 under the Exchange Act. The Audit Committee operates under a written charter adopted by the Board of Directors of the Company. The Audit Committee also prepares a written self-performance evaluation of the Committee s performance on an annual basis.

For the fiscal year ended October 30, 2016, the Audit Committee reviewed and discussed the audited financial statements with management and Deloitte & Touche LLP. The committee also reviewed and discussed with Deloitte & Touche LLP the audited Financial Statements and the matters required by PCAOB Auditing Standard No. 1301 Communications with Audit Committees. In addition, the Audit Committee has received the written disclosures and the letter from Deloitte & Touche LLP required by PCAOB Ethics and Independence Rule 3526 (communications with Audit Committee, concerning Independence) and has discussed with Deloitte & Touche LLP that firm s independence from the Company and its management. The Audit Committee reviewed and discussed with management and Deloitte & Touche LLP, as appropriate, (1) the audited financial statements and (2) management s report on internal control over financial reporting and Deloitte & Touche LLP s related opinions. The Committee considered whether the provision of non-audit services by Deloitte & Touche LLP to the Company is compatible with maintaining the independence of Deloitte & Touche LLP, and concluded that the independence of Deloitte & Touche LLP was not compromised by the provision of such services. The Audit Committee met with management periodically during the fiscal year to review the Company s Sarbanes-Oxley Section 404 compliance efforts related to internal controls over financial reporting. Additionally, the Audit Committee pre-approved all audit and non-audit services provided to the Company by Deloitte & Touche LLP. Based on the foregoing meetings, reviews and discussions, the Audit Committee recommended to the Board of Directors that the audited financial statements for fiscal year 2016 be included in the Company s Annual Report on Form 10-K for filing with the SEC.

The Audit Committee has a formal procedure for reviewing complaints and inquiries about accounting and auditing matters and violations of Company policy.

This report is submitted by:

Joseph A. Fiorita, Jr.
Chairman

Walter M. Fiederowicz

Mitchell G. Tyson

Fees Paid to the Independent Registered Public Accounting Firm

For the fiscal years ended October 30, 2016 and November 1, 2015, the aggregate fees for professional services rendered by Deloitte & Touche LLP were as follows:

	Fiscal 2016	Fiscal 2015
Audit Fees[(a)]	$ 864,000	$ 1,185,291
Audit-Related Fees[(b)]	26,300	131,024
Tax Fees[(c)]	54,000	58,862
All Other Fees	0	0
Total	$ 944,300	$ 1,375,177

(a) Represents aggregate fees in connection with the audit of the Company's annual financial statements, internal controls over financial reporting and review of the Company's quarterly financial statements or services normally provided by Deloitte & Touche LLP.

(b) Represents assurance and other activities not directly related to the audit of the Company's financial statements.

(c) Represents aggregate fees in connection with tax compliance, tax advice and tax planning.

EXECUTIVE OFFICERS

The names of the executive officers (the Named Executive Officers) of the Company are set forth below together with the positions held by each person in the Company. All executive officers are elected annually by the Board of Directors and serve until their successors are duly elected and qualified.

Name and Age	Position	Served as an Executive Officer Since
Richelle E. Burr, 53	Vice President, General Counsel and Secretary	2010
Peter S. Kirlin, 56	Chief Executive Officer	2008
Constantine S. Macricostas, 81	Executive Chairman	2008
Christopher J. Progler, 53	Vice President, Chief Technology Officer and Strategic Planning	2004
Sean T. Smith, 56	Senior Vice President and Chief Financial Officer	2000

Richelle E. Burr joined Photronics in 2003 as Corporate Counsel. She was promoted to Vice President, Associate General Counsel in 2008 and was appointed Secretary in April of 2009 prior to her appointment as General Counsel in January 2010.

Dr. Peter S. Kirlin was appointed Chief Executive Officer on May 4, 2015. Prior to his appointment as Chief Executive Officer, he served as President of the Company beginning in September of 2013. He joined Photronics in

August, 2008 as Senior Vice President, US and Europe.

Constantine S. Macricostas was appointed Executive Chairman on May 4, 2015. Prior to his appointment as Executive Chairman, he served as Chairman of the Board and Chief Executive Officer beginning in September of 2013. Mr. Macricostas also served as Chief Executive Officer and President from April 2009 to September 2013. He served as Interim Chief Executive Officer from July 20, 2008 to April 3, 2009. From February 23, 2004 to June 7, 2005, he also served as Chief Executive Officer. From January 2002 through March 2002, he temporarily assumed the position of President. Mr. Macricostas also served as Chief Executive Officer of the Company from 1974 until August 1997.

Dr. Christopher J. Progler became an executive officer on June 21, 2006. Dr. Progler has been employed by Photronics since 2001 starting with the position of Corporate Chief Scientist. He was promoted to Vice President and Chief Technology Officer in 2004. In 2011 Dr. Progler assumed the added responsibility of Strategic Planning for the Company. Dr. Progler is a Fellow of SPIE - The International Society of Optics and Photonics. He serves on management boards of MP Mask, PDMC, Inpria and IMS nanofabrication. He also serves on technical advisory boards for MP Mask and the Cymer Laser division of ASML.

Sean T. Smith was promoted to Senior Vice President and Chief Financial Officer on January 25, 2005. He was promoted to Vice President and Chief Financial Officer in March 2002 after serving as Vice President and Controller. He joined Photronics in April 2000.

COMPENSATION DISCUSSION AND ANALYSIS

The Compensation Committee of the Board of Directors (the Compensation Committee) is comprised of two of the independent, non-employee members of the Board of Directors. Neither of these individuals was an officer or employee of the Company at any time during fiscal year 2016 or at any other time, and neither of them have interlocking relationships as described in Item 407 of Regulation S-K. The Compensation Committee is responsible for setting and administering the policies governing compensation of our executive officers. The Compensation Committee reviews and approves, among other things, overall annual performance for the Named Executive Officers (identified in the Summary Compensation Table) as well as all participants in the Company s 2011 Executive Incentive Compensation Plan (2011 EICP).

The purpose of this Compensation Discussion and Analysis is to provide material information about the Company s compensation objectives and policies for its Named Executive Officers and to put into perspective the tabular disclosures and related narratives. The following report provides information about our compensation programs and policies as well as the outcomes and achievements that resulted in the determination of compensation to our Named Executive Officers. Specific 2016 compensation information for our Executive Chairman, Chief Executive Officer and other Named Executives Officers will be outlined in a series of tables following this report.

Summary

The Company is one of the world s leading manufacturers of photomasks, which are high precision photographic quartz plates containing microscopic images of electronic circuits. Photomasks are a key element in the manufacture of semiconductors and flat panel displays (FPDs), and are used as masters to transfer circuit patterns onto semiconductor wafers and flat panel substrates during the fabrication of integrated circuits (ICs) and a variety of FPDs and, to a lesser extent, other types of electrical and optical components. Currently, research and development photomask activities for ICs are focused on 20 nanometer node and below and, for FPDs, on Generation 8 resolution enhancement, substrates larger than Generation 8 and more complex masks for AMOLED type displays. In 2014, we became the leading edge IC photomask merchant in the world. We believe we have more sub-20nm capability and capacity than all our competitors combined.

In fiscal 2016 total sales were down from the record-setting pace that was achieved in 2015, which resulted in lower profits despite focused efforts on cost control. However, we announced several strategic initiatives during the year which should position the Company for future growth. Additionally, our balance sheet is as strong as it has been at any time in our history, which allows for greater flexibility while exploring new growth opportunities.

We achieved net sales of $483 million in 2016, down 8% from 2015. FPD sales grew 15% as demand for high end masks was strong, especially during the first half of the year, when we were operating near full capacity. During the second half of the year, sales moderated.

Net income attributable to Photronics, Inc. shareholders was $46.2 million, including an income tax benefit of $4.8 million and an $8.8 million gain on the sale of an investment. Excluding these special items, net income fell from the previous year because of lower sales.

During fiscal 2016, the Company received special recognition from several customers, including UMC, Infineon, and XFAB. The Company announced several initiatives during fiscal 2016 that should enable us to grow the business. We announced (i) a $40 million investment to expand the capacity of our FPD business; (ii) one of the most significant investments in the history of the Company whereby over the next 5 years, we will invest

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$160 million to build a state-of-the-art manufacturing facility in Xiamen, China; and (iii) the purchase of certain assets and intellectual property from Infinite Graphics Incorporated which will afford the Company access to large area masks used in the manufacturing of advanced packaging technologies.

Our compensation program for our Named Executive Officers received support of approximately 99% of the votes cast at our 2016 Annual Meeting of Shareholders. Based on the effectiveness of our compensation program and in consideration of this year s and prior year s approval, the Compensation Committee decided to continue the foundation and fundamentals of the compensation structure for fiscal 2016.

Compensation Philosophy

The Company s compensation philosophy is based on rewarding the Company s executives for their individual and collective efforts and contributions to the Company in a manner that fosters teamwork and leads to the long-term success of the Company. We feel this is in the best interest of our shareholders. The Company also believes that delivering a substantial portion of such rewards in the form of restricted stock and/or stock options aligns the interests of the Company s executives with the interests of shareholders. The Company s compensation program is designed to attract and retain talented employees by providing adequate incentives to achieve its business objectives while not encouraging excessively risky behavior. The Compensation Committee periodically reviews the Company s approach to executive compensation in light of general economic conditions of the semiconductor industry and the Company s performance and reviews the compensation practices of its peers and makes changes when appropriate.

Compensation Objectives

Consistent with the Company s philosophy, the Company believes that executive compensation must be competitive with other comparable employers in order for qualified employees to be attracted to, and retained by, the Company and that the Company s compensation practices should provide incentives for driving better business performance and increasing shareholder value. Accordingly, the four primary objectives of the Company s compensation program, as administered by the Compensation Committee are:

- to provide competitive compensation to attract and retain talented employees;
- to advance the goals of the Company by aligning executives' interests with shareholder interests;
- to minimize risks associated with compensation; and
- to balance the incentives associated with the program in a way that provides incentives for executives to assess and manage risks associated with the Company's business appropriately, in the context of the Company's business strategy.

Elements of Compensation

The Compensation Committee uses three primary components to achieve the Company s primary objectives: base salary, annual cash incentives and stock-based awards. The Company minimizes its perquisites available to its employees as a whole, including its executives.

The Compensation Committee believes that the three primary components of the Company s compensation result in a compensation program that is competitive and aligns the Named Executive Officers interests with shareholder value creation.

Base salaries provide each executive with a fixed, minimum level of cash compensation. The Company believes that it is important for retention, stability and continuity of leadership, that base salaries be competitive with the Company s peers. Base salaries may be increased or decreased depending upon changes in duties or economic conditions. The base salary of the Company s Chief Executive Officer was approximately 57% of his total compensation in 2016.

Annual cash incentives are used to promote the achievement of specific short-term goals of the Company that correspond to certain goals of the Company set on an annual basis and the underlying metrics relating thereto. Approximately 56% of the Named Executive Officers compensation in 2016 consisted of annual cash incentives.

Stock-based awards are the Company s preferred approach to both align the interests of shareholders with the executives, as well as enhance the Company s retention goals. By virtue of the stock-based awards, the Named

Executive Officers are shareholders themselves and participate in the gains in value of the Company s stock. Over 40% of the Named Executive Officers compensation in 2016 consisted of stock-based compensation and over 43% of the Chief Executive Officer s Compensation in 2016 consisted of stock-based compensation.

Determination of Total Compensation

When determining total compensation, the Compensation Committee assesses five primary factors:

- the overall performance of the Company;
- the Named Executive Officer’s role in that performance;
- the compensation previously received by the Named Executive Officer;
- the compensation of similarly situated executive officers working for peer group companies; and
- shareholder feedback.

When linking the Company s performance and the total compensation of the Named Executive Officers, the Compensation Committee uses both the objective metrics provided for under the 2011 EICP as well as its subjective assessment of the performance of the Company.

When the Compensation Committee evaluates the role of each Named Executive Officer in the performance of the Company, it considers both the recommendation and evaluation of such Named Executive Officer by the Chief Executive Officer (the Chief Executive Officer does not evaluate his own performance) and the Compensation Committee s assessment of each Named Executive Officer s leadership qualities, paying particular attention to the scope of his or her duties and the collaboration of such Named Executive Officer with other team members.

In establishing compensation levels for the Company s Named Executive Officers, identified in the Summary Compensation Table, the Compensation Committee considers compensation at eight publicly traded companies in the semiconductor/electronics industries with similar levels of sales and capital. These companies are Advanced Energy Industries, Inc., Axcelis Technologies, Inc., Brooks Automation, Inc., Cabot Microelectronics Corp., Entegris, Inc., FEI Co, Kulicke & Soffa Industries, Inc., and Veeco Instruments, Inc. Information regarding these companies and their compensation practices is drawn from their proxy statements. The Compensation Committee adjusts executive compensation in connection with this review. Generally, the Compensation Committee believes that the compensation of its executive officers should be set near the median compensation of this comparison group; however it is also important to the Compensation Committee that compensation reflect individual performance and that may warrant compensation up to 20% above or below the median.

In addition, while establishing its compensation policies for a given year, the Compensation Committee will evaluate the results from the most recent shareholder advisory vote on compensation to consider the implications of such advisory vote for the compensation policies and determine whether changes are appropriate. At the 2016 Annual Shareholders Meeting, 99% of the votes cast with respect to the advisory vote on executive compensation voted to approve the executive compensation paid in fiscal 2015. In light of this vote, as well as the Compensation Committee s review of the compensation arrangements discussed above, general market pay practices for its executives and its assessments of individual and corporate performance, the Compensation Committee determined that no significant change in its compensation policies would be made. The Compensation Committee will consider the results from this year s and future shareholder advisory votes regarding future executive compensation decisions.

The Compensation Committee does not use tally sheets.

Base Salary

The Compensation Committee evaluates and establishes base salary levels in light of economic conditions (generally and in the regions where executives work) and comparisons to other similarly situated companies. Base salary is designed to recognize an executive s knowledge, experience level, skill, ability, level of responsibility and ongoing performance. The Compensation Committee targets base salary for all executives to be at a level consistent with our assessment of their value relative to their peers in the labor market, while also taking into account our need to maintain costs in light of business conditions and the challenging economic times. Any recommendations for salary changes to any Named Executive Officers (other than the Chief Executive Officer) are made by the Chief Executive Officer and presented to the Compensation Committee for approval.

In fiscal 2016 all Named Executive Officers received a 2% salary increase as part of a Company-wide salary increase except for the Chief Executive Officer who received an approximate 10% increase and his salary became $575,000 and the Executive Chairman who received an approximate 4% increase and his salary became $425,000.

There were no other salary increases to date for the Named Executive Officers.

Annual Incentives

Participation in the 2011 EICP is limited to key employees of the Company as designated by the Compensation Committee. The 2011 EICP is administered by the Compensation Committee, which has full power and authority to determine which key employees of the Company receive awards under the 2011 EICP, set performance goals and bonus targets for each fiscal year, interpret and construe the terms of the 2011 EICP and to make all determinations it deems necessary in the administration of the 2011 EICP, including any determination with respect to the achievement of performance goals and the application of such achievement to the bonus targets. The 2011 EICP sets out quantitative and qualitative categories of business criteria upon which performance goals are based. The business criteria measures within each category may be assigned different weightings based upon their relative degree of importance as determined by the Compensation Committee.

In the quantitative category, one or more of the following business criteria may be used as performance measures: (i) net sales, (ii) operating income, (iii) net income, (iv) earnings per share of common stock, (v) net cash flows provided by operating activities, (vi) increase in working capital, (vii) return on invested capital, (viii) return on equity and/or (ix) debt reduction. In the qualitative category, the business criteria relate to objective individual performance, taking into account individual goals and objectives. The performance goals with respect to each category of business criteria are established by the Compensation Committee within ninety days of the commencement of each fiscal year. Annual bonus targets are either expressed as a percentage of current salary or a fixed monetary amount with respect to each performance goal. At the end of each fiscal year for which a bonus may be earned, the Compensation Committee determines each participant s level of achievement of the established performance goals. Consistent with the relevant provisions of the Dodd-Frank Act, the Company will clawback , or retroactively adjust if the relevant performance measures that awards are based upon are later restated or otherwise adjusted in a manner that would reduce the size of the award or payment. The Compensation Committee may amend or terminate the 2011 EICP at any time provided that no amendment will be effective prior to approval of the Company s shareholders to the extent such approval is required to preserve deductibility of compensation paid pursuant to the 2011 EICP under Section 162(m) of the Internal Revenue Service Code or otherwise required by law.

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The Compensation Committee met in January of 2016 and established 4 metrics for fiscal 2016 that were to be used under the 2011 EICP. The goals established for 2016 were to: achieve net income target; achieve EBITDA target; grow high end IC market share and accelerate growth via business development. Below sets forth the targets and the actual performance of the Company against those targets.

Metric	Target	Actual Performance
EBITDA	$178MM	Did not achieve
Net Income	$50MM	Did not achieve
Achieve high end IC revenues	Competitively Sensitive	Did not achieve
Accelerate growth via business development	Competitively Sensitive	Achieved

The metrics for fiscal 2016 were EBITDA of $178 million based on full year performance (EBITDA as defined in our credit agreement, is GAAP net income plus interest expense, income tax expense, depreciation and amortization, plus (less) special items as defined); net income of $50 million based on full year performance (net income defined as net income attributable to Photronics, Inc. shareholders which is revenues and income less expenses and net income attributable to noncontrolling interests, excluding one-time items divided by sales); achieve high end IC revenues; and accelerate growth via business development. Each of the four metrics was given equal weight and the Compensation Committee had discretion up to 20%. The maximum amount of bonus payout upon certification of attainment of targets for 2016 for the Named Executive Officers was 50% of the applicable employee s salary. The Compensation Committee also has the discretion to reduce the maximum amount payable to any Named Executive Officer in its sole discretion. In order for the Named Executive Officers to be eligible for a cash bonus for fiscal 2016, the Company was required to meet at least two of the metrics. In November and December of 2016, the Compensation Committee met and reviewed the metrics established for 2016 and also reviewed the performance of the Company as a whole for fiscal 2016. The Compensation Committee determined that the Company did not meet the required metrics for the Named Executive Officers to be eligible for a bonus. Therefore, the Compensation Committee decided not to award a bonus to any Named Executive Officers under the 2011 EICP in December of 2016 for fiscal 2016.

In December of 2016, the Compensation Committee met and established goals for fiscal 2017 under the 2011 EICP. The goals established for 2017 were to: achieve net income target; achieve EBITDA target; grow FPD market shares and accelerate growth via business development.

Long Term Equity Incentives

The Company s long term incentive program uses restricted stock and stock options. The plans allow for the grant of stock options and restricted stock awards to directors and executive officers of the Company, as well as other employees of the Company.

The Compensation Committee believes that the grant of stock options and restricted stock awards provides a strong link between executive compensation and shareholder return, aligning the long term interests of its executives with those of the Company s shareholders and thereby promoting strategic planning while minimizing excessive risk.

For the purpose of aiding the Company and its subsidiaries in attracting, retaining and motivating qualified personnel, the Company adopted a new long term equity incentive plan (the 2016 LTEICP) in 2016. We believe that the 2016 LTEICP is essential to the Company s continued success. In addition to stock options, stock appreciation rights, restricted stock, performance shares and performance units, the 2016 LTEICP also permits the granting of restricted stock units and other equity-based awards. The awards provided under the 2016 LTEICP are vital to our ability to attract and retain the highly skilled individuals to work for the Company and to serve on its Board of Directors.

Administration

The 2016 LTEICP will generally be administered by the Compensation Committee of the Board of Directors (the Compensation Committee). The Compensation Committee has the authority to determine, subject to the provisions of the 2016 LTEICP, who will be granted awards, the terms and conditions of awards, and the number of shares subject to, or the cash amount payable with respect to, an award. The Compensation Committee may

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also make factual determinations in connection with the administration or interpretation of the 2016 LTEICP. To the extent not prohibited by applicable laws, rules and regulations, the Compensation Committee may also, from time to time, delegate some or all of its authority under the 2016 LTEICP to a subcommittee or to other persons or groups of persons as it deems necessary, appropriate or advisable. Additionally, subject to applicable laws, rules and regulations, any authority or responsibility that, under the terms of the 2016 LTEICP may be exercised by the Compensation Committee, may alternatively be exercised by the Board of Directors of the Company.

Eligibility

The Compensation Committee has the authority under the 2016 LTEICP to select the individuals who will be granted awards from among the officers, employees and directors, non-employee directors, consultants, advisors and independent contractors of the Company or a subsidiary of the Company.

Number of Shares Available for Issuance

A maximum of four million (4,000,000) shares of Common Stock may be issued under the 2016 LTEICP. Such shares may be authorized but unissued shares, shares previously issued and reacquired by the Company, or both. Any shares subject to awards which, for any reason, expire or are terminated or forfeited, become available again for grant under the 2016 LTEICP. Additionally shares that are tendered or withheld to pay the exercise price of an award or to satisfy tax withholding obligations and exercised shares covered by a stock-settled stock appreciation right will not be available for issuance pursuant to a new award. The Compensation Committee shall have full authority to determine the effect of a change in control, on the vesting, exercisability, settlement, payment or lapse of restrictions applicable to an award under the 2016 LTEICP.

Types of Awards; Limits

The Compensation Committee may grant the following types of awards under the 2016 LTEICP: options; restricted stock; restricted stock units; stock appreciation rights; performance stock; performance units; and other awards based on, or related to, shares of the Company s Common Stock. However the 2016 LTEICP contains various limits with respect to the types of awards as follows: no more than 2,000,000 shares can be granted as restricted shares and no more than 15% of the shares measured as of the Effective Date can be granted to any Participant in any fiscal year; provided however that Non-Employee Directors may receive more than 30,000 shares in any fiscal year.

Stock Options

The granting of equity awards under the 2016 LTEICP is generally decided every December at the Company s Board of Directors meeting. Grants to executive officers under the 2016 LTEICP are based on job responsibilities and the potential for individual contribution impacting the Company s overall performance. When considering grants, the Compensation Committee exercises judgment and discretion, generally using a sliding scale approach and also considers previous stock award grants to align generally with its overall compensation philosophy. For example, the Compensation Committee may consider reducing grants in a particular year, when a Named Executive Officer has large realizable gains from stock award grants in previous years. The Company generally provides restricted stock awards and stock options pursuant to the terms of the 2016 LTEICP.

The annual option granting process generally begins with the Compensation Committee providing direction to the Chief Executive Officer as to the total number of shares available for grant for the year. The Chief Executive Officer then provides individual grant recommendations to the Compensation Committee (except for his own) for review and approval. The Chief Executive Officer s recommendation is a subjective evaluation of the Named Executive Officers contributions to the Company s future success, the level of incentive compensation previously received as well as the market price of the common stock on the date of grant. The Compensation Committee considers the aggregate number of shares available, the number of shares previously awarded and the number of individuals to whom the Company wishes to grant stock options or restricted stock awards. The Compensation Committee reserves the right to consider any factors it considers relevant under the circumstances then prevailing in reaching its determination regarding the amount of each stock option and/or restricted stock award. Option awards typically vest 25% per year beginning one year after the grant date, with full vesting on the fourth anniversary of the grant date. The options expire ten years after the grant date, unless the employee separates earlier from the Company, at which point the vested options expire 30 days after separation. The exercise price is equal to the closing price of our common stock on the date of grant.

Restricted stock awards typically vest 25% per year beginning one year after the grant date, with full vesting on the fourth anniversary of the grant date. Any shares not fully vested on the date the employee separates from the Company are forfeited.

The Executive Chairman and Chief Executive Officer s grant is determined by the Compensation Committee at its sole discretion, based on the Compensation Committee s evaluation of the Executive Chairman and Chief Executive Officer s expected contribution to the Company s future success, the level of incentive compensation previously awarded, the overall performance of the Company, a review of the Chief Executive Officer s peer group compensation and the market price of the Company s common stock on the date of grant.

When determining the long term incentive grants that were decided in December of 2016 but awarded in January of 2017, the Compensation Committee considered the overall performance of the Company in fiscal 2016, the fact that total sales were down from the record setting sales in 2015 but also the several strategic initiatives that were announced and accomplished in fiscal 2016. The Compensation Committee also reviewed the options and restricted stock awards that were granted last year as well as the cost of option grants to the Company and the fact that the trend in compensation is moving toward more restricted stock grant and less option. The Compensation Committee also reviewed the grant history of the Company s peers and the compensation given to peer company Named Executive Officers and based on all of its review and analysis decided to grant the following awards to the Named Executive Officers.

Based on the determination of the Compensation Committee, the Named Executive Officers received the following grants on January 3, 2017:

	Stock Options	Restricted Stock
Ms. Richelle Burr	15,000	15,000
Dr. Peter Kirlin	28,750	37,500
Mr. Constantine Macricostas	40,000	12,500
Dr. Christopher J. Progler	15,000	15,000
Mr. Sean Smith	22,000	16,000

The stock options were granted with an exercise price of $11.35 and will expire on January 3, 2027. The shares of restricted stock will vest in four equal increments over the next four years except for Mr. Macricostas whose awards will vest semi-annually over a four year period.

In December of 2015, the Compensation Committee adopted stock ownership guidelines effective for the calendar year 2016. The ownership requirements will be determined as a multiple of base salary or a non-management directors annual cash retainer converted to a fixed number of shares as follows: Executive Chairman 2 x annual base salary; Chief Executive Officer 2x annual base salary; 1x annual base salary for the Company s Chief Financial Officer; Chief Technology Officer; General Counsel; President of PKL; and General Manager of PDMC and Non-Management Directors 2x annual cash retainer fee. Stock that counts towards satisfaction of guidelines includes shares owned outright by the participant, stock held in Photronics Employee Stock Purchase Plan, restricted stock issued or granted, whether or not vested and shares acquired upon stock option exercises. The stock price used to calculate conversion will be the average stock price over the twenty trading days prior to the given date. Participants have five years to achieve their designated ownership level.

Health and Welfare and Retirement Benefits

The Named Executive Officers participate in a variety of health and welfare and paid time off benefits designed to allow the Company to retain its workforce. The benefits program enjoyed by the Company s Named Executive Officers is the same as that offered to all other domestic employees.

The Company does not have a defined benefit pension plan or supplemental retirement plan. However, the Company does have a 401K Savings Plan (the Plan). The Plan is a 401(k) compliant plan which enables participating employees to make contributions from their earnings and share in the contributions the Company makes to a trust fund maintained by the trustee. An account in the trust fund is maintained by the trustee for the Plan. All employees are eligible to participate in the Plan, except for nonresident aliens with no United States earned income from the Company and temporary employees or interns. The minimum amount that an employee

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can contribute is 1% and the maximum amount is 50%. In fiscal year 2016, the Company provided a matching contribution based on the contributions that participating employees made to the Plan. Participating employees received a matching contribution of 50% of the first 4% of their contribution to the Plan.

Employment Agreements

In order to retain the Named Executive Officers and retain continuity of management in the event of an actual or threatened change of control, the Company has entered into employment agreements with each of the Named Executive Officers. Each agreement covers title, duties and responsibilities and stipulates compensation terms. Each employment agreement also sets forth the severance benefits due in the event of a change in control or termination without cause. These employment agreements are described below under the caption Certain Agreements. The estimate of the compensation that would be payable in the event of a change in control or termination without cause is described below under the caption Potential Payments Upon Termination or Change in Control. The Compensation Committee believes that these agreements are a competitive requirement to attract and retain highly qualified executive officers. Before authorizing the Company to enter into the employment agreements with the Named Executive Officers, the Compensation Committee analyzed each of the termination and change in control arrangements and determined that each arrangement was advisable and appropriate under the circumstances of the Company and given the circumstances of each of the individual Named Executive Officers. The Compensation Committee will review these arrangements again upon the renewal of each employment agreement.

Perquisites

The Company offers very limited perquisites to its executive officers. The use of a company car or a car allowance to employees is provided to the Named Executive Officers as indicated in the Summary Compensation Table.

Tax and Accounting Impact on Compensation

Financial reporting and income tax consequences to the Company of individual compensation elements are important considerations for the Compensation Committee when it is analyzing the overall level of compensation and the mix of compensation. Overall, the Compensation Committee seeks to balance its objective of ensuring an effective compensation package for the Named Executive Officers while attempting to ensure the deductibility of such compensation – at the same time ensuring an appropriate and transparent impact on reported earnings and other closely followed financial measures.

Section 162(m) of the Internal Revenue Code limits the amount of compensation paid to each Named Executive Officer that may be deducted by the Company to $1 million in any year. There is an exception to the $1 million limitation for performance-based compensation that meets certain requirements. Historically, the compensation paid to our executive officers has not exceeded this limit due to the performance based exception. To the extent that it is practicable and consistent with the Company s executive compensation philosophy, the Company intends to design its executive officer compensation policy to ensure the deductibility of such compensation under Section 162(m) or if it is determined not to be in the best interest of stockholders, the Compensation Committee will abide by its compensation philosophy even if it results in a loss of deductibility.

COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

The Compensation Committee, comprised of independent directors, reviewed and discussed the above Compensation Discussion and Analysis (CD&A) with the Company s management. Based on the review and discussions, the Compensation Committee recommended to the Company s Board of Directors that the CD&A be included in these Proxy Materials.

Respectfully submitted,

Walter M. Fiederowicz, Chairman
Joseph A. Fiorita, Jr.

EXECUTIVE COMPENSATION

The following table sets forth certain information regarding compensation paid or accrued by the Company for services rendered for the three-year period ended October 30, 3016, to each of the individuals who served (i) as the Chief Executive Officer; (ii) Chief Financial Officer and (iii) the other most highly compensated executive officers of the Company whose total salary and bonus exceeded $100,000 (the Named Executive Officers).

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)[1]	Option Awards ($)[2]	All Other Compensation ($)		Total ($)
Richelle Burr	2016	260,000		51,553	118,881	14,366	(3)	444,800
Vice President,	2015	254,808	67,300	34,294	96,975	12,000		465,377
General Counsel and Secretary	2014	250,000	50,000	36,920	111,125	12,554	(3)	460,599
Peter S. Kirlin	2016	569,230		151,625	279,720	8,038	(4)	1,008,613
Chief Executive Officer	2015	489,115	150,000	150,125	343,755	14,300	(4)	1,147,295
	2014	450,000	65,000	66,450	200,025			