

PHOTRONICS INC
Form DEF 14A
February 27, 2004

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

SCHEDULE 14A

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

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

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.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

- 1) Title of each class of securities to which transaction applies:

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

- 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):

- 4) Proposed maximum aggregate value of transaction:

- 5) Total fee paid:

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

- 1) Amount Previously Paid:

- 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 24, 2004

TO THE SHAREHOLDERS OF PHOTRONICS, INC.

Notice is hereby given that the Annual Meeting of Shareholders of Photronics, Inc. will be held at the Inter-Continental, The Barclay New York, in the Astor Room, 111 East 48th Street, First Floor, New York, NY 10017 on March 24, 2004, at 12:00 p.m. local time, for the following purposes:

- 1) To elect six (6) members of the Board of Directors; and
- 2) To approve an amendment to the Photronics, Inc. Employee Stock Purchase Plan to increase the number of authorized shares of Common Stock available for issuance from 600,000 to 900,000; and
- 3) To transact such other business as may properly come before the meeting or any adjournments thereof.

The Board of Directors has fixed February 12, 2004 as the record date for determining the holders of common stock entitled to notice of and to vote 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. NO POSTAGE IS REQUIRED FOR MAILING IN THE UNITED STATES.

By Order of the Board of Directors,

/s/ Edwin L. Lewis
Edwin L. Lewis
Secretary

February 27, 2004

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

PROXY STATEMENT

**For the Annual Meeting of Shareholders
to be held on March 24, 2004**

GENERAL INFORMATION

The enclosed proxy is solicited by the Board of Directors (the "Board" or "Board of Directors") of Photronics, Inc. (the "Company"), to be voted at the Annual Meeting of Shareholders to be held on March 24, 2004, at 12:00 p.m. local time at the Inter-Continental, The Barclay New York, in the Astor Room, 111 East 48th Street, First Floor, New York, NY 10017, or any adjournments or postponements thereof (the "Annual Meeting"). This proxy statement and the enclosed proxy card are first being sent or given to shareholders on or about March 3, 2004.

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 and 2 and in accordance with their best judgment 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.

Any shareholder who executes and delivers a proxy may revoke it at any time prior to its use 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 February 12, 2004 are entitled to notice of and to vote at the Annual Meeting. As of February 12, 2004, there were 32,520,186 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 Meeting 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; (2) Proposal 2 (amendment to the Photronics, Inc. Employee Stock Purchase Plan)--the affirmative vote of a majority of those shares of Common Stock present in person or by proxy and voting at the Annual Meeting. Abstentions will be considered as present but will not be considered as votes in favor of any matter; broker non-votes will not be considered as present for the matter as to which the shares are not voted.

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

The following table sets forth certain information on the beneficial ownership of the Company's Common Stock as of February 12, 2004, by (i) beneficial owners of more than five percent of the Common Stock, (ii) each director, (iii) each nominee for election as a director, (iv) each currently employed executive officer named in the summary compensation table set forth below, and (v) 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
Paul J. Fego	61,177(3)	*
Walter M. Fiederowicz	51,280(3) (4)	*
Joseph A. Fiorita, Jr.	61,150(3) (5)	*
Edwin L. Lewis	0	*
Constantine S. Macricostas	2,711,064(3) (6)	8.3
George Macricostas	111,930(3)	*
Willem D. Maris	23,250(3)	*
Sean T. Smith	29,195(3)	*
Mitchell G. Tyson	0	*

Edgar Filing: PHOTRONICS INC - Form DEF 14A

CIGNA Corporation One Liberty Place Philadelphia, PA 19192	2,812,013(8)	8.6
TimesSquare Capital Management, Inc. Four Times Square, 25 th Floor New York, NY 10036		
Deutsche Bank AG Taunusanlage 12, D-60325 Frankfurt am Main Federal Republic of Germany	2,121,065(9)	6.5
FMR Corporation 82 Devonshire Street Boston, MA 02109	4,202,490(10)	13.0
Macricostas Partners, L.P. 1061 East Indiantown Road Jupiter, Florida 33477	2,280,000	7.0
Pioneer Global Asset Management S.p.A. Galleria San Carlo 6, 20122 Milan, Italy	1,865,216(11)	5.7
Directors and Executive Officers as a group (9 persons)	3,049,046(7)	9.4

* 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) Includes shares of Common Stock subject to stock options exercisable as of February 12, 2004 (or within 60 days thereof) as follows: Mr. Fego: 57,506; Mr. Fiederowicz: 26,250; Mr. Fiorita: 26,250; Mr. Constantine Macricostas: 89,750; Mr. George Macricostas: 2,500; Mr. Maris: 11,250; and Mr. Smith: 25,225.
- (4) Includes 5,000 shares owned by the wife of Mr. Fiederowicz as to which shares he disclaims beneficial ownership.
- (5) Includes 300 shares owned by the wife of Mr. Fiorita as to which shares he disclaims beneficial ownership.
- (6) Includes 34,000 shares held by the wife of Mr. Macricostas as to which shares he disclaims beneficial ownership. Also includes 2,280,000 shares owned by Macricostas Partners, L.P., of which Mr. Macricostas is a limited partner and 50,618 shares owned by the corporate general partner of such partnership of which Mr. Macricostas is President, a director and a significant shareholder. Mr. Macricostas disclaims beneficial ownership of those shares not represented by his ownership interests.
- (7) Includes the shares listed in notes (3), (4), (5) and (6), above.
- (8) According to a Schedule 13G filed February 13, 2004, TimesSquare Capital Management, Inc. ("TimesSquare") and CIGNA Corporation ("CIGNA") reported that TimesSquare and CIGNA have shared voting power over 2,244,765 shares of Common Stock and shared dispositive power over 2,812,013 shares of Common Stock.
- (9) According to a Schedule 13G filed February 9, 2004, Deutsche Bank AG ("Deutsche") reported that Deutsche has sole voting power and sole dispositive power over 2,121,065 shares of Common Stock.
- (10) According to Schedule 13G filed February 17, 2004, FMR Corp. ("FMR") reported that FMR has sole voting power over 739,700 shares and sole dispositive power over 4,202,490 shares of Common Stock.
- (11) According to a Schedule 13G filed February 10, 2004, Pioneer Global Asset Management S.p.A. ("Pioneer") reported that Pioneer has sole voting power and sole dispositive power over 1,865,216 shares of Common Stock.

PROPOSAL 1 ELECTION OF DIRECTORS

A board of six directors is to be elected at the Annual Meeting to serve until the 2005 Annual Meeting of Shareholders and until their successors are elected and qualified. The names of, and certain information with respect to, the nominees for election as directors are set forth below.

Edgar Filing: PHOTRONICS INC - Form DEF 14A

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 a vote 'FOR" the election of each of the following nominees:

Nominees:

Name and (Age)	Director Since	Position with the Company
Walter M. Fiederowicz (57 years)	1984	Director
Joseph A. Fiorita, Jr. (59 years)	1987	Director
Constantine S. Macricostas (68 years)	1974	Chairman of the Board
George Macricostas (34 years)	2002	Director
Willem D. Maris (64 years)	2000	Director
Mitchell G. Tyson (49 years)		Director (Nominee)

Messrs. Fiederowicz, Fiorita, Maris and Tyson qualify as independent under applicable Nasdaq National Market ("NASDAQ") rules.

In addition to the information set forth in the table above, the following provides certain information about each director and nominee for election, including his principal occupation for at least the past five years.

Walter M. Fiederowicz has been a private investor and consultant since August 1997. From April 1997 until August 1997, he served as the President and Chief Executive Officer of WorldCorp., Inc., the holding company of World Airways, Inc., a provider of long range passenger and cargo air transportation services to major airlines, and of IntelliData Technologies Corporation, a provider of caller identification based telecommunications devices, smart telephones and on-line electronics information services. Mr. Fiederowicz served as Chairman of Colonial Data Technologies Corp., a distributor of telecommunications equipment which subsequently merged into IntelliData Technologies Corporation, from August 1994 to March 1996. He currently serves as Chairman of the Board of Meacock Capital, plc, an investment vehicle for the Lloyd's insurance market. He also is Chairman of the Board of Omega Underwriting Holdings Limited, the holding company of the Lloyd's insurance underwriter and serves as a director of First Albany Companies, Inc., the parent of a broker-dealer. Mr. Fiederowicz is Chairman of the Compensation Committee, Vice Chairman of the Audit Committee and a member of the Executive Committee.

Joseph A. Fiorita is a partner in Fiorita, Kornhaas and Van Houten, P.C., an independent certified public accounting firm located in Danbury, Connecticut. Mr. Fiorita is Chairman of the Audit Committee, Vice Chairman of the Compensation Committee and a member of the Nominating Committee. Mr. Fiorita qualifies as a financial expert under applicable SEC audit committee rules.

Constantine S. Macricostas has served as Chairman of the Board of the Company since March 2002. Prior to that date Mr. Macricostas also held the title of Chief Executive Officer. In January 2002 he temporarily assumed the position of President upon the retirement of James L. Mac Donald. From August 1997 to June 2000 he was the Chairman of the Board of the Company and also served as Chief Executive Officer of the Company from 1974 until August 1997. Mr. Macricostas is Chairman of the Executive Committee. Mr. Macricostas is Chairman of the Board and a director of RagingWire Telecommunications, Inc.

Edgar Filing: PHOTRONICS INC - Form DEF 14A

George Macricostas is the CEO and founder of RagingWire Telecommunications, Inc. ("RagingWire"), a company that provides secure managed IT services and data center infrastructure to data intensive enterprise companies. Mr. Macricostas became CEO of RagingWire in May of 2000. From February 1996 until April 2000 Mr. Macricostas was a senior vice president at the Company where he was responsible for all aspects of the Company's global IT infrastructure. Mr. Macricostas is Chairman of the Investment Committee.

Willem D. Maris served as the President and Chief Executive Officer of ASM Lithography Holding N.V. ("ASML") from June 1990 until his retirement in January 2000. Headquartered in the Netherlands, ASML develops and manufactures markets and services advanced lithography projection systems for the fabrication of integrated circuits. He is a director of FSI International Inc. and Chairman of the Supervisory Board of BE Semiconductor Industries N.V. Mr. Maris is a member of the Audit Committee, Chairman of the Strategic Alliance & Planning Committees and member of the Nominating Committee.

Mitchell G. Tyson, the nominee for election to the Board of Directors of the Company, held positions of increasing management responsibility during his fifteen year tenure at PRI Automation, the world's leading supplier of semi-fab materials handling systems. Most recently he served as PRI Automation's CEO from 1998 to 2002. Prior to joining PRI Automation, he worked at GCA Corporation from 1985 to 1987 and served as science advisor to U.S. Senator Paul Tsongas from 1979 to 1985. Mr. Tyson is currently Chairman of the Board for Amberwave Systems, the leading supplier of strained silicon technology as well as a member of the Semiconductor Equipment and Materials Institute's (SEMI®) North American Advisory Board and the chair of its Public Policy Committee. Mr. Tyson received a Bachelor of Science degree in Physics from the Massachusetts Institute of Technology and a Master of Science degree in Nuclear Engineering and a Master's Degree in Political Science from the Massachusetts Institute of Technology.

Constantine S. Macricostas is the father of George Macricostas.

MEETINGS AND COMMITTEES OF THE BOARD

The Board of Directors met seven (7) times during the 2003 fiscal year. During fiscal 2003 each director attended at least 75% of the total number of meetings of the Board of Directors and of all committees of the Board on which such director served.

The Company's Board of Directors has Audit, Executive, Compensation, Investment, Strategic Alliance & Planning and Nominating Committees. Membership of the Audit, Compensation and Nominating Committees is comprised of independent, non-employee directors.

The Audit Committee's functions include the appointment of the Company's independent certified 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 Maris are members of the Audit Committee. All members of this Committee are independent, non-employee directors under applicable NASDAQ rules. Mr. Fiorita qualifies as a financial expert under applicable SEC audit committee rules. The Audit Committee held seven (7) meetings during the 2003 fiscal year.

The Compensation Committee's functions include establishing compensation policies and programs for the executive officers of the Company and administration of the Company's stock plans. Messrs. Fiederowicz and Fiorita are members of the Compensation Committee. All members of this Committee are independent, non-employee directors under applicable NASDAQ rules. The Compensation Committee held three (3) meetings during the 2003 fiscal year.

The Investment Committee was organized during the 2002 fiscal year and oversees the Company's investment activities including the commitment of funds and monitoring of investment performance. The Investment Committee held three (3) meetings during the 2003 fiscal year.

The Executive Committee with certain exceptions may exercise all of the authority of the Board between regular meetings of the entire Board. The Executive Committee held no meetings during the past fiscal year. This Committee met informally with senior management throughout the year.

The Strategic Alliance & Planning Committee reviews and provides recommendations to the entire Board on various matters relating to strategic alliances and long-range planning for the Company's business. This Committee held no meetings during the past fiscal year.

The Nominating Committee's functions include the consideration and nomination of candidates for election to the Board. Mr. Maris and Mr. Fiorita are members of the Nominating Committee and qualify as independent under applicable NASDAQ rules. In the 2003 fiscal year the Nominating Committee held no meetings.

Edgar Filing: PHOTRONICS INC - Form DEF 14A

The Nominating Committee Charter is posted on the Company's website at www.photronics.com.

The minimum qualifications for nominees to be considered by the Nominating Committee are experience as a business or technology leader, and the qualities or skills necessary and 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 photomasks. If an opening for a Director arises, the Board will conduct a search for qualified candidates. The Committee will also consider qualified candidates for Director suggested by shareholders in written submissions to Photronics, Inc., 15 Secor Road, Brookfield, Connecticut 06804, Attention: Corporate Secretary.

Mr. Tyson was recommended for the Board by Michael McCarthy, Vice President-Investor Relations.

The Nominating Committee did not receive any recommendations for nomination for Director from a shareholder or group who, individually or in the aggregate, beneficially owned greater than five (5) percent of the Company's voting common stock for at least one year.

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: Corporate 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 the nominees who were Directors during the last fiscal year and who are standing for election at the 2004 Annual Meeting of Shareholders attended the 2003 Annual Meeting of Shareholders.

AUDIT COMMITTEE REPORT

The Audit Committee is composed of three directors, each of whom meet the independence requirements of the applicable NASDAQ and SEC rules. The Committee operates under a written charter adopted by the Board.

For the fiscal year ended November 2, 2003, the Audit Committee reviewed and discussed the audited financial statements with management, discussed with the independent auditors the matters required to be discussed by SAS 61 (Codification of Statements on Auditing Standards, AU380) and received the written disclosures and a letter from the independent accountants required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees). The Audit Committee discussed with the independent accountants the independence of the independent accountants. The Committee considered whether the provision of non-audit services by Deloitte and Touche LLP ("D&T") to the Company is compatible with maintaining the independence of D&T and concluded that the independence of D&T is not compromised by the provision of such services. Based on the foregoing meetings, reviews and discussions, the Audit Committee recommended to the Board of Directors that the audited financial statements for fiscal 2003 be included in the Company's Annual Report on Form 10-K for filing with the Securities and Exchange Commission.

The Audit Committee also has adopted a complaint procedure for accounting and auditing matters and violations of Company policy.

This report is submitted by:

Joseph A. Fiorita, Jr.
Chairman

Walter M. Fiederowicz

Willem D. Maris

Audit Fees

The aggregate fees for professional services rendered by Deloitte & Touche in connection with their audit of our consolidated financial statements for the 2003 fiscal year were approximately \$439,000.

Financial Information Systems Design and Implementation Fees

There were no professional services rendered by Deloitte & Touche in the 2003 fiscal year relating to financial information systems design and implementation.

All Other Fees

The aggregate fees for all other services rendered by Deloitte & Touche in the 2003 fiscal year were approximately \$1,273,000 and can be sub-categorized as follows:

Attestation Fees. The aggregate fees for attestation services rendered by Deloitte & Touche for matters such as comfort letters and consents related to SEC and other registration statements, audits of employee benefit plans, agreed upon procedures, internal controls reviews, due diligence pertaining to acquisitions and consultation on accounting standards or transactions were approximately \$211,000.

Other Fees. The aggregate fees for all other services such as consultation related to tax planning and compliance rendered by Deloitte & Touche in the 2003 fiscal year were approximately \$1,062,000.

EXECUTIVE OFFICERS

The names of the 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 Officer Since
Paul J. Fego, 46	President, Chief Operating Officer	1997
Edwin L. Lewis, 58	Vice President, Secretary and General Counsel	2003
Sean T. Smith, 43	Vice President, Chief Financial Officer	2000

Paul J. Fego was elected President and Chief Operating Officer in March 2002. Prior to that date he had been Executive Vice President and Chief Operating Officer since December 2001 and prior to that date Senior Vice President-North American Operations since December 1997. Before rejoining Photronics in 1996 Mr. Fego served as Operations Director at ST Microelectronics Inc. in Carrollton, Texas.

Edwin L. Lewis was elected Vice President, Secretary and General Counsel in May 2003. Prior to that he was Vice President and General Counsel for American Science and Engineering, Inc., an international designer and manufacturer of x-ray detection equipment for protection of ports, borders and high security U.S. government facilities. Prior to that he was President of The Atlantic Legal Foundation, a public interest law firm headquartered in New York City.

Sean T. Smith was elected Vice President and Chief Financial Officer in March 2002. Prior to that date he had been Vice President-Controller. He joined Photronics in April 2000. From 1999 to 2000 Mr. Smith was Vice President and Chief Financial Officer of Carvel Corporation, a closely held soft ice cream manufacturer. He was Controller and Chief Accounting Officer of Starter Corporation, a licensed apparel manufacturer from 1995 to 1999.

EXECUTIVE COMPENSATION

Edgar Filing: PHOTRONICS INC - Form DEF 14A

The following table sets forth certain information regarding compensation paid or accrued by the Company for services rendered for each of the three fiscal years during the periods ended November 2, 2003, November 3, 2002 and October 31, 2001 to each of the individuals who served (i) as the Chief Executive Officer during the 2003 fiscal year and (ii) the four other most highly compensated executive officers of the Company whose total salary and bonus exceeded \$100,000 (such executives are collectively referred to as the "Named Executives").

Summary Compensation Table

Name/Principal Position	Year	Annual Compensation		Long-Term Compensation	All Other Compensation (\$) (1)
		Salary (\$)	Bonus (\$)	Stock Options (#)	
Daniel Del Rosario Chief Executive Officer (4) (5) (6)	2003	349,712	—	30,000	16,000
	2002	263,462	68,000	65,000	15,400
	2001	176,000	55,000	10,000	15,400
Paul J. Fego President, and Chief Operating Officer (4) (5)	2003	294,808	—	28,995	7,361
	2002	280,385	65,000	55,000	36,440
	2001	187,000	50,000	0	15,400
Sean T. Smith Vice President, and Chief Financial Officer (2) (4) (5)	2003	206,366	—	15,675	16,147
	2002	191,923	47,000	37,500	15,400
J. Gregory Hickey, Jr. Vice President, and Treasurer (2) (4) (5)	2003	196,538	—	14,952	15,931
	2002	179,692	47,000	37,500	15,400
Edwin L. Lewis Vice President, Secretary and General Counsel (3) (5)	2003	101,250	—	15,000	7,000

(1) Represents (i) matching contributions made by the Company pursuant to the Company's 401(k) Savings and Profit Sharing Plan; and (ii) monthly car allowance paid by the Company or personal use of a Company car. The matching 401(k) contributions made during fiscal year 2003 were as follows: Mr. Del Rosario, \$4,000; Mr. Fego, \$4,923; Mr. Smith, \$4,127 and Mr. Hickey, \$3,931. The car allowance paid by the Company or the personal use of a Company car in the 2003 fiscal year was as follows: Mr. Del Rosario: \$12,000; Mr. Fego: \$2,438; Mr. Smith: \$12,000; Mr. Hickey: \$12,000; and Mr. Lewis: 7,000.

(2) Messrs. Smith and Hickey were not considered Executive Officers of the Company prior to fiscal year 2002.

(3) Mr. Lewis joined the Company in April, 2003.

(4) As a result of cost reduction measures, Mr. Del Rosario, Mr. Fego, Mr. Smith and Mr. Hickey, took a five (5%) percent reduction in salary for the period March 22, 2003 through July 26, 2003.

(5) Mr. Del Rosario and the Named Executives did not receive a bonus for 2003. Messrs. Del Rosario and Hickey resigned from their positions with the Company on February 23, 2004.

(6) Includes \$5,769.00 of income earned in 2002 but paid in 2003.

STOCK OPTIONS

The Company maintains stock option plans which 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 Company's stock option plans do not provide for the issuance of stock appreciation rights. The following table sets forth certain information with respect to (i) options granted to the Named Executives during

Edgar Filing: PHOTRONICS INC - Form DEF 14A

the 2003 fiscal year and (ii) the value of such options at assumed annual rates of stock price appreciation.

Option Grants In Last Fiscal Year

Name	Number of Securities Underlying Options Granted (1)	% of Total Options Granted To All Employees in Fiscal Year	Exercise or Base Price (\$/Share) (2)	Expiration Date	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term (3)
					5%(\$)/10%(\$)
Daniel Del Rosario	30,000	7%	\$12.930	12/9/12	\$243,948 / \$618,213
Paul J. Fego	28,995	6.7%	\$12.930	12/9/12	\$235,729 / \$597,587
Sean T. Smith	15,675	3.6%	\$12.930	12/9/12	\$127,438 / \$323,062
J. Gregory Hickey, Jr.	14,952	3.5%	\$12.930	12/9/12	\$121,560 / \$308,161
Edwin L. Lewis	15,000	3.5%	\$12.850	5/19/13	\$121,219 / \$307,194

- (1) The options vest over two years in three installments, except for the options granted to Mr. Lewis which vest over four years in four equal installments. The Board of Directors may accelerate the vesting of the option if the Company merges or consolidates with another company, sells substantially all of its assets, or a "Change in Control" (as defined in the applicable plan or award document) involving the Company occurs.
- (2) All options were granted at the fair market value at the date of grant.
- (3) Potential gains are net of exercise price, but before taxes associated with exercise. These amounts represent certain assumed rates of appreciation only, in accordance with the Securities and Exchange Commission's rules. Actual gains, if any, on stock option exercises are dependent on the future performance of the common stock, overall market conditions and the option holders' continued employment through the vesting period. The amounts reflected in this table may not necessarily be achieved.

The following table sets forth certain information with respect to options exercised during the 2003 fiscal year by the Named Executives and the value of options held by the Named Executives on November 2, 2003.

Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values

Name	Shares Acquired on Exercise (#)	Value Realized (\$) (1)	Number of Securities Underlying Unexercised Options at Fiscal Year End Exercisable / Unexercisable	Value of Unexercised In-the-Money Options at Fiscal Year End (\$) (2) Exercisable / Unexercisable
Daniel Del Rosario	0	0	66,125 / 75,000	\$759,440 / \$716,287
Paul J. Fego	12,449	\$132,832	39,091 / 63,080	\$402,134 / \$488,437
Sean T. Smith	5,225	\$66,044	16,875 / 41,075	\$99,375 / \$433,243
J. Gregory Hickey, Jr.	0	0	21,859 / 42,593	\$212,193 / \$475,386
Edwin L. Lewis	0	0	0 / 15,000	\$0 / \$130,350

Edgar Filing: PHOTRONICS INC - Form DEF 14A

- (1) Represents the difference between the closing price of the common stock on the date of exercise and the exercise price.
- (2) Based upon the fair market value share price of \$21.54 at fiscal year end, less the share price to be paid upon exercise.

EQUITY COMPENSATION PLAN INFORMATION

The following table sets forth information about shares of Photronics Common Stock that may be issued under the Company's equity compensation plans including compensation plans that were approved by the Company's shareholders as well as compensation plans that were not approved by the Company's shareholders. Information in the table is as of November 2, 2003.

Plan Category	Number of shares to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants, and rights (b)	Number of shares remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by shareholders	2,302,085	\$19.77	1,487,298 ⁽¹⁾
Equity compensation plans not approved by shareholders	-0-	-0-	-0-
Total	2,302,085	\$19.77	1,487,298

(1) Represents 1,450,274 shares of Photronics Common Stock issuable pursuant to options authorized for future issuance under the Company's various stock option plans and 37,024 shares available under the Company's employee stock purchase plan.

CERTAIN AGREEMENTS

Mr. Constantine Macricostas is party to a five (5) year consulting agreement at an annual retainer of \$175,000 per annum which became operative upon his retirement as an employee of the Company on April 18, 2003. During the term of that agreement Mr. Macricostas has agreed to not be employed by or otherwise engage in any activities that compete with the Company's business.

Mr. Fego and Mr. Smith are parties to three-year employment agreements. If any such agreement is terminated by the Company for reasons other than "cause", the executive whose agreement was terminated shall be entitled to receive a payment equal to his base salary paid out over 12 months. The employment agreements further provide that severance payments of up to 18 months shall be payable in the event of involuntary termination for other than "cause" following a "change of control". Mr. Fego and Mr. Smith have agreed not to engage in any activity that competes with the Company's business during the term of the employment agreement and for 12 months thereafter.

The employment agreements for Mr. Fego and Mr. Smith provide for base salaries of \$300,000 and \$210,000, respectively, and for other benefits commensurate with their seniority.

DIRECTORS' COMPENSATION

Directors who are not employees of the Company receive an annual retainer of \$25,000, in addition to a fee of \$2,500 for each director's meeting attended and are granted a restricted stock award of 3,000 shares per year. The restrictions on these restricted stock awards lapse quarterly over the one-year service period. Directors who are not employees of the Company receive, annually, stock options of 5,000 shares of Common Stock. The Chairman of the Audit Committee receives an additional annual retainer of \$40,000, and the Vice Chairman receives an additional annual retainer of \$10,000. The Chairman of the Compensation Committee receives an additional annual retainer of \$25,000, and the Vice Chairman receives an additional annual retainer of \$5,000. The Chairman of the Investment Committee receives an additional annual retainer of \$15,000.

COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

COMPENSATION PHILOSOPHY

The Compensation Committee of the Board of Directors (the "Compensation Committee") was established in 1992 and 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 2003 or at any other time and neither of them have interlocking relationships as defined by the Securities and Exchange Commission. None of our current executive officers has ever served as a member of the board of directors or compensation committee of any other entity that has or has had one or more executive officers serving as a member of our board or the Compensation Committee. The Compensation Committee is responsible for setting and administering the policies governing annual compensation of executive officers, considers their performance and makes recommendations regarding their cash compensation and stock options to the full Board of Directors. The Compensation Committee periodically reviews its approach to executive compensation and makes changes as appropriate.

The Compensation Committee's philosophy is that executive compensation must be competitive with other comparable employers to insure that qualified employees can be attracted and retained and that the Company's compensation practices should provide incentives and rewards for achieving or exceeding goals and for creating a return to the Company's shareholders. The Compensation Committee uses three components to achieve these goals: base salary, bonuses and stock based awards.

The Compensation Committee evaluates and establishes base salary levels in light of economic conditions and comparisons to other similarly situated companies. Bonuses, if any, are dependent upon an evaluation of the Company's performance and achievement of its financial and other goals during the relevant period, and the achievement of specific objectives of each executive officer. Stock options awards, which the Compensation Committee believes provide a strong link between executive compensation and shareholder return, are used to provide long-term incentives based on shareholder return.

In establishing compensation levels for the executive officers of the Company, including the Named Executives, the Compensation Committee considers compensation at companies in the electronics industries with similar levels of sales and capital. The companies considered were not necessarily the same as those included in the performance chart below due to the difference in the size of the companies considered. The Compensation Committee adjusts executive compensation in connection with this review. Generally, the Compensation Committee believes that its expectation of performance of the Company and its executive officers should allow executive compensation to fall within the median to 75th percentile of compensation of this comparison group. The Compensation Committee believes that its three-part approach results in a compensation program which is aligned with the Company's needs and results and balances both short and long-term goals.

Section 162(m) of the Internal Revenue Code limits the Company's ability to deduct certain compensation (in excess of \$1,000,000 per year per person) paid to the Named Executives unless certain formal requirements are satisfied. The Compensation Committee believes however that its ability to subjectively evaluate executive officer performance is an important part of its function and its ability to provide incentives. Additionally compensation paid to the Named Executives has historically not exceeded deductibility limits under Section 162(m). Accordingly the Compensation Committee has not required that all compensation programs comply with Section 162(m) although the Compensation Committee considers compliance in establishing individual compensation components.

2003 EXECUTIVE COMPENSATION

The Committee considered the factors discussed above in determining executive compensation for the 2003 fiscal year.

Mr. Del Rosario was appointed as the Company's Chief Executive Officer on March 11, 2002. The Committee used the executive compensation practices described above in determining 2003 salary levels for Mr. Del Rosario. In setting the salary and awarding the grant of stock options, the Committee considered the overall assessment of Mr. Del Rosario's leadership in establishing and achieving the Company's short-term business goals and long-term strategic plans. The Committee also considered the salaries paid to other chief executive officers of electronics companies comparable in size to the Company. No bonus was paid to Mr. Del Rosario, or the Named Executives in 2003. Additionally, as a result of cost reduction measures, Mr. Del Rosario, Mr. Fego, Mr. Smith and Mr. Hickey, took a five percent (5%) reduction in salary for the period March 22, 2003 through July 26, 2003.

Respectfully submitted,

Walter M. Fiederowicz, Chairman

Joseph A. Fiorita, Jr.