

PHOTRONICS INC
Form DEF 14A
February 29, 2016

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Soliciting Material Under Rule
14a-12

Confidential, For Use of the Commission Only (as permitted by Rule
14a-6(e)(2))

Definitive Proxy Statement

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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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 23, 2016

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 Photronics, Inc., 15 Secor Road, Building 1, Brookfield, CT 06804 at 9:00 a.m. Eastern Time, on March 23, 2016, for the following purposes:

- 1) To elect seven members of the Board of Directors;
- 2) To approve the 2016 Equity Incentive Compensation Plan;
- 3) To re-approve the performance measures under the 2011 Executive Compensation Incentive Plan;
- 4) To ratify the selection of Deloitte & Touche LLP as independent registered public accounting firm for the fiscal year ending October 30, 2016;
- 5) To approve, by non-binding advisory vote, the compensation of our named executive officers;

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 February 22, 2016, 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

February 26, 2016

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

PROXY STATEMENT

For the Annual Meeting of Shareholders
to be held on March 23, 2016

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 23, 2016, at 9:00 a.m. Eastern Time at the offices of Photronics, Inc., 15 Secor Road, Building 1, Brookfield, CT 06804 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 26, 2016 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 November 1, 2015, 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, 3, 4 and 5, 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 either (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 22, 2016, are entitled to notice of and to vote at the Annual Meeting. As of February 22, 2016, there were 67,279,545 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 (2016 Equity Incentive Compensation Plan) a majority of the votes cast by the shareholders entitled to vote at the Annual Meeting is required to approve the plan, provided that the total votes cast on the proposal represent over 50% of the outstanding shares of Common Stock; (3) Proposal 3 (Re-approval of the performance measures under the 2011 Executive Compensation Plan) a majority of the total votes cast by the shareholders entitled to vote at the Annual Meeting is required to re-approve the performance measures under such plan, provided that the total votes cast on the proposal represent over 50% of the outstanding shares of Common Stock; (4) Proposal 4 (Ratification of Selection of Independent Registered Public Accounting Firm for the Fiscal Year Ending October 30, 2016) 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 (5) Proposal 5 (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.

Neither the approval nor the disapproval of Proposal 5 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 5 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 five proposals listed in the Notice of Annual Meeting of Shareholders only the ratification of our independent registered public accounting firm under Proposal 4 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 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, presides over executive sessions of the Board 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. 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. 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 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 February 22, 2016, 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 Named 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)
Donald Smith & Co., Inc. 152 West 57 th Street New York, NY 10019	6,000,998	8.9 % (4)
Barrow, Hanley, Mewhinney & Strauss, LLC 2200 Ross Avenue, 31st Floor Dallas, TX 75201-2761	5,944,395	8.8 % (5)
Dimensional Fund Advisors Palisades West, Building One 6300 Bee Cove Road Austin, Texas 78746	5,668,379	8.5 % (6)
Black Rock, Inc. 40 East 52 nd Street New York, NY 10022	3,741,236	5.6 % (7)
Franklin Resources, Inc. One Franklin Parkway San Mateo, CA 94403 1906	3,698,000	5.5 % (8)

Officers and Directors

Richelle Burr	94,134 (9)	*
Walter M. Fiederowicz	92,250 (9)	*
Joseph A. Fiorita, Jr.	201,400 (9) (10)	*
Liang-Choo Hsia	54,000 (9)	*
Soo Hong Jeong	327,525 (9)	*
Peter Kirlin	207,312 (9)	*
Constantine S. Macricostas	1,035,815 (9) (11)	1.54 %
George Macricostas	36,000 (9)	*
Christopher J. Progler	278,035 (9)	*
Sean T. Smith	333,256 (9)	*
Mitchell G. Tyson	110,779 (9)	*
Directors and Named Executive Officers as a group (11 persons)	2,770,506 (12)	4.12 % (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.

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(4)Based on Schedule 13G filed February 10, 2016.

(5)Based on Schedule 13G filed February 3, 2016.

(6)Based on Schedule 13G/A filed on February 9, 2016.

(7)Based on Schedule 13G/A filed January 27, 2016.

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

Includes shares of Common Stock subject to stock options exercisable as of February 22, 2016, (or within 60 days thereof), as follows: Ms. Burr: 60,525;Mr. Fiederowicz: 68,250; Mr. Fiorita: 52,000; Dr. Hsia: 12,000; Dr. Jeong (9) 143,125; Dr. Kirlin: 113,500; Mr. Constantine Macricostas: 540,000; Mr. George Macricostas: 2,000; Dr. Progler: 218,135; Mr. Smith: 211,250; 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 34,568 shares held by the wife of Mr. Macricostas as to which shares he disclaims beneficial ownership.

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

PROPOSAL 1

ELECTION OF DIRECTORS

The Board has nominated 7 directors to be elected at the 2016 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 2017 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 th